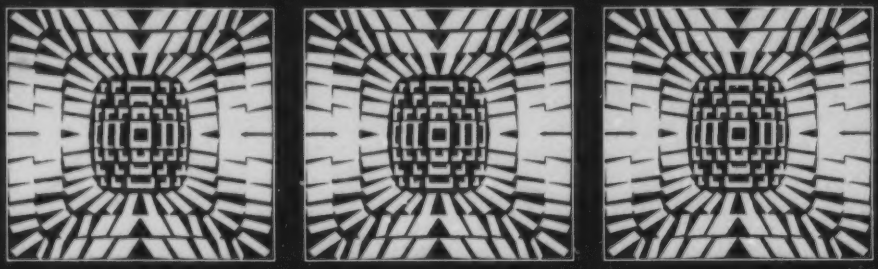
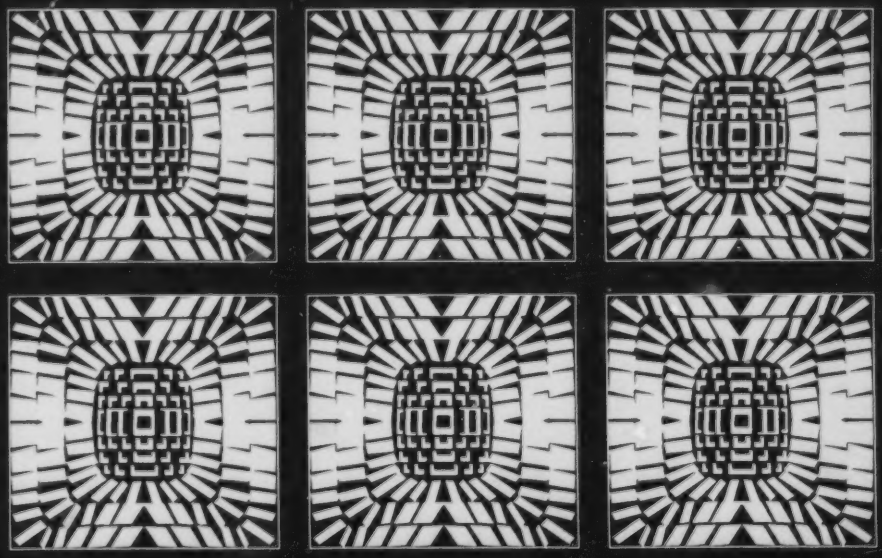
THE CHALLENGES OF AFRICAN DEVELOPMENT



Edward V.K. Jaycox



THE CHALLENGES OF AFRICAN DEVELOPMENT

Addresses by Edward V. K. Jaycox
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Washington, D.C.

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Edward V.K. Jaycox
February, 1992

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Africa's Development Challenge and Prospects

The Learning Curve

There are two fundamental things that I feel I have learned during the 25 years I have been working on development in Africa. First, the value of discussion itself. Since real development can only come from within, there is no substitute for exchanging views with those who are actually engaged in the process. Second, I have learned that humility is a prerequisite in this business—no individual or institution has all the answers on African development. We are all on the learning curve, we all need to listen to one another. That, at least, is my personal perspective and the perspective of the institution I represent—the World Bank.

A Critical Juncture

The 1990s will be a critical decade for Africa. The world is in the midst of fundamental change and the ideological blinkers which so greatly hampered economic development for so long have been taken off. It is now universally agreed that people are the means and the ends of development—and the potential to improve people's lives the world over is enormous.

Africa too is in the midst of change, political as well as economic. And again, the trend—with people calling for more participation in the decisions which affect their lives—is positive. It holds great potential for achieving the major objective that we all share: *reducing poverty in Africa and ensuring sustained growth and development*.

An address to the Ad Hoc Committee of the Whole of the United Nations General Assembly, New York, September 3, 1991

In the midst of all this change, Africa needs to assess how far it has come over the last five years and, more important, decide where it wants to go in the future. How does Africa view its performance?

Situation Five Years Ago

We who are engaged from the outside cannot speak for Africa, but we too have our own assessments to make. As I see it, we have to go back to 1986, to the time of the historic United Nations Special Session on Africa. At that time, most of the countries of Sub-Saharan Africa—the region on which I will focus—were in an economic free-fall: no goods on the shelves, no spare parts, no chalk in the classrooms, no drugs in the clinics and so on. Budgets were out of control, debt was piling up, institutions were decaying, social indicators were falling, and, in substantial parts of Africa, famine stalked the land. The "African Crisis" was well under way.

In addition, there was no consensus within Africa on what should be done. Nor was there any agreement with donors, or among donors, on how to approach Africa's problems. In fact, aid to Africa was in decline and a severe bout of "donor fatigue" had set in. External resources were drying up. That is where we were in 1986.

African Reform Efforts

There is no question that Africa has come a long way since then. With the Special Session came the UN Program of Action for African Economic Recovery and Development (UNPAAERD), and African governments committed themselves to embark on and implement economic policy reforms.

Since 1986, no fewer than 30 Sub-Saharan countries have adopted economic reforms or structural adjustment programs—virtually all of them with support from the World Bank and through our concessional lending affiliate, the International Development Association (IDA). Not all countries undertook reform programs at the same time; some stopped and started again; some pursued reform intensively and others did not; some have only recently begun. Nevertheless, nearly two-thirds of the countries of the region have been involved. They saw that things simply were not working, they

reassessed their situation, and they had the courage to change direction. In short, African countries have taken a grip on their own problems as never before. It is difficult to exaggerate the importance of this change.

Donor Support

As a counterpart to the movement toward reform, donors also reassessed their approaches to African development. They recognized that the *quality* of their programs sometimes left a lot to be desired; the *quantity* of financial assistance was also insufficient. And so they pledged to provide increased financial support in parallel with the African economic reforms.

Now, while it is true that increases in official development assistance (ODA) were not as great as had been hoped for under the UNPAAERD, the amounts that have gone to Sub-Saharan Africa have nevertheless been very substantial. The flow of ODA to the region increased from an average annual level of $7.8 billion in the four years (1982–85) preceding the UNPAAERD, to an average annual level of $12.4 billion in the years 1986–89—an increase of 60 percent in nominal terms and some 23 percent in real (constant price) terms. In fact, on a per capita basis, ODA to Sub-Saharan Africa is now three times as great as that to all low- and middle-income countries, and five times as great as to South Asia.

Moreover, through efforts such as the Special Program of Assistance (SPA) for low-income Africa—spearheaded by the World Bank but involving most of the major bilateral and multilateral donors, including the African Development Bank—unprecedented levels of financial aid and debt relief have gone to the poorest, most heavily indebted African countries in recent years. Combined with debt-relief measures such as the "Toronto terms," the SPA has been very effective in relieving the debt-distressed countries of Sub-Saharan Africa. In fact, about $18 billion in adjustment assistance and debt relief was provided to 23 countries that were eligible for SPA assistance between 1988 and 1990. And this is expected to increase in the second phase of the SPA, from 1991 to 1993. All of this is on concessional terms, and most of it is grant money.

These levels of assistance are not enough to bring about improvement as quickly as we would like to see it. But it is certainly more than Sub-Saharan Africa has ever received in the past—and it is a clear indication that the region has been accorded a high priority by donors over the last several years.

At the same time, I agree—and the World Bank supports—the call for increased concessional flows and debt reduction for Sub-Saharan Africa. The region remains in deep crisis and will need exceptional resources to support its continuing economic reforms.

Results of Reforms

Before turning to the question of the result of the African reforms, let me make one point clear: a country's entry into economic reform or structural adjustment does not bring about a miraculous recovery overnight. Changing the structure of an economy is a long-term process. Moreover, we should not look just at where the economies are today, but also at where they would have been had the economic reforms not been undertaken. We must not forget that, in virtually every case, African countries have gone into adjustment only when they were absolutely desperate. Adjustment has helped to stop the decline and allow for some improvement.

Still, it is true that for most countries progress remains unsatisfactory. Civil strife continues to hamper efforts in some countries. In others, military expenditures deprive needy sectors and programs of vital support. Unprecedentedly high population growth rates eat up potential increases in per capita wealth throughout the region. Furthermore, the very process of recovery from the many years of misguided policies and neglect is long and painful, as the countries of Eastern Europe are also discovering.

But to blame the pain on the reform programs is to confuse *malady* with *remedy*. The real causes of many of today's problems lie in the mistaken economic policies of the past, and if those policies had been continued, the situation would be much worse today.

While it is true that the fall in primary commodity prices has severely affected African economies, the larger problem has been Africa's lack

of competitiveness. Frankly, Africa has been losing its market share to other developing regions—a 50 percent loss since 1970. This is a much more serious problem than declining prices, and the answer to it lies not in attempting to control those prices but only in increased efficiency and productivity. In short, Africa needs to get competitive again. Analysis indicates that if Sub-Saharan Africa had only maintained its 1970 *share* of non-oil export markets, it would be earning about $9–10 billion more per year.

There are signs that the situation is improving. Evidence is growing that the economic reforms are taking effect. It simply is not true, as some have alleged, that all of Sub-Saharan Africa is in decline. We must, if we are intellectually honest, disaggregate and distinguish between those countries that *have* implemented serious economic reform programs and those that *have not*.

The most recent data indicate, for example, that the "SPA countries" are experiencing sustained growth. For 20 "core" countries that participated in the SPA during all or most of its first three years (1988–90), growth increased from an average rate of one percent at the start of the 1980s, to over 4 percent during 1988–90—positive in per capita terms. This is in contrast to the other (non-SPA) countries for which growth has declined over the decade and for which the growth rate in recent years has been only about half that of the SPA countries—less than the population growth rate.

Growth increased in the SPA countries despite the fact that their terms of trade were lower during the SPA period than earlier in the decade, and were worse than those of non-SPA countries. In addition, the SPA countries experienced rapid export growth, a rising share of world markets, and an increase in investment. These are signs that what is occurring among the SPA countries reflects structural improvements in their economies which, in time, will lead to regained competitiveness and sustained growth.

The point is that countries which adopt sensible and responsive policies do better, all things being equal, than those who refuse to face reality. Surely there is no need to debate that point.

The Emerging Consensus

Indeed, the major difference that I see between today and five years ago is the clear emergence of consensus on the need for continued economic reform to reduce poverty and to make Africa efficient, competitive and capable of taking care of her people.

A widespread consensus has also emerged—in Africa and between Africa and the donor community—on Africa's primary development objectives and how they should be tackled. This consensus has not been easy to achieve. The debate has sometimes been vigorous. But it has also been productive.

The Bank's Long-Term Perspective Study on Sub-Saharan Africa (*Sub-Saharan Africa: From Crisis to Sustainable Growth*, 1989) was developed in a collaborative way, with African and donor involvement. It suggested a broad strategic agenda that includes the need for substantially increased aid flows (4 percent a year in real terms) and, at a minimum, the containment of debt service at current levels throughout the 1990s. But it must be recognized that such increased assistance from the donor community will only be effective if the other items on Africa's strategic agenda are pursued vigorously, namely:

- Continuing *economic reform programs and policies* that stimulate growth and encourage people and companies to be productive and efficient;
- Increasing investment in *human resource development*—doubling expenditures, in fact, to reach 8–10 percent of GDP by the end of this decade;
- Focusing especially on the building of *human and institutional capacities*;
- Doubling the growth rate of *agricultural production* to at least 4 percent a year through better managed research, strengthened extension services and investment in rural infrastructure, so that agriculture can fulfill its potential as Africa's engine of growth;
- Reducing the *population growth rate* from the current unsustainably high levels (about 3.1 percent per annum) by reducing the fertility rate by half by the year 2010;

- Taking urgent action to address the degradation of *the environment* and Africa's natural resource base by implementing National Environmental Action Plans;
- Creating an enabling environment in which private entrepreneurs and investment can flourish;
- Promoting the vital *role of African women* in development;
- Improving *regional cooperation* so that benefits can be maximized for all Sub-Saharan countries; and
- *Promoting better governance* through increased accountability, transparency, predictability, adherence to the rule of law, and popular participation in the development process.

A strong consensus has emerged between Africa and the donor community on this agenda. But clearly, the principal responsibility for achieving it rests with Africa.

Role of the World Bank

External development agencies, like the World Bank and the United Nations Development Programme (UNDP), can help. During the "UNPAAERD period" the Bank intensified its focus on and assistance to Sub-Saharan Africa. In particular, the quality of the policy dialogue with our African member countries has improved immeasurably over the last four to five years to the point where, I believe, they view the Bank as their partner in development.

The Bank's lending to Sub-Saharan Africa increased from an annual average of $1.8 billion over the period 1981–85 to around $3 billion over 1986–91. Roughly two-thirds of this assistance was concessional. It might also be noted that 45 to 50 percent of IDA Replenishments Eight and Nine were allocated to Sub-Saharan Africa. The Bank Group's net transfers to Sub-Saharan Africa have been consistently positive over the last five years.

Reflecting the regional movement toward economic policy reform, about a third of the Bank's total lending to Sub-Saharan Africa was for adjustment (which means, of course, that the other two-thirds

was directed toward more traditional investment in agriculture, infrastructure, human resource development and so on). This complementarity between investment lending and adjustment lending is very important.

Regional Initiatives

I would also like to note that, in addition to lending for investment and policy reform, the Bank initiated a series of special regional initiatives during the UNPAAERD period. These initiatives, involving broad partnerships with other donors and African governments, have helped to draw attention to particular problems, forge a consensus on them, and coordinate efforts to address them. They include:

- The *Special Program of Assistance* to address the problems of debt and adjustment;
- The *African Capacity Building Initiative (ACBI)*—jointly sponsored by the African Development Bank, the UNDP and the World Bank—to help Africa build its human and institutional capacities in policy analysis and development management;
- An *agricultural services initiative* which combines research, extension and management;
- A *food security initiative* whereby country-specific action plans are implemented to improve both supply of and access to food;
- The *Social Dimensions of Adjustment Project (SDA)* to help ensure that the needs of the poor are taken into account during the economic reform process;
- A *higher education initiative* aimed at improving coordination among donors and increasing resources for African teachers and students;
- An *environmental initiative* which brings together African governments and donors to implement and fund national environmental action plans (through the Club of Dublin, formed in late 1990); and

- Special efforts to promote African entrepreneurship through the work of the *Multilateral Investment Guarantee Agency (MIGA)* and the *International Finance Corporation (IFC)*, which has greatly expanded its special programs in Africa through the *Africa Project Development Facility* and the *Africa Enterprise Fund*.

The World Bank has also taken two important sets of measures to assist the poorer countries in obtaining debt relief: first, recognizing that an important part of their outstanding debt is owed to multilateral institutions, the Bank has agreed to use IDA reflows to make additional IDA financing available—equivalent to interest payments on IBRD loans owed by IDA-eligible countries, provided they maintain their reform programs; second, IBRD profits have been used to establish a new grant facility for the buyout of discounted commercial debt owed by IDA countries. This facility has attracted cofinancing from bilateral donors.

The Bank's increased level of lending to Sub-Saharan Africa and this wide range of special programs and initiatives indicate that the region has indeed been accorded our highest priority during the "UNPAAERD period." Working with our partners in Africa and the donor community, I am encouraged by the progress made in the latter half of the 1980s. As I see it, many of the mechanisms and modalities for achieving Africa's development have been put in place. We now need to strengthen them and make them work as effectively as possible. *Implementation* is the order of the day—and the decade.

Global Coalition for Africa

One of these modalities is the *Global Coalition for Africa (GCA)*. The objectives of the Global Coalition are to bring together political leaders and experts from Africa and the donor community on a regular basis to help build international support for Africa; to monitor progress and develop new ideas; and, in general, to ensure that global attention remains focused on Africa.

The Global Coalition, which is now established and staffed, was initiated by the Maastricht Conference on Africa which was held in the Netherlands in 1990, and which was attended by African Ministers, representatives of the major African regional institutions, and

UN agencies. The Global Coalition has also been endorsed by two Resolutions of the OAU Heads of State and Government, most recently at their meeting in Abuja in June, 1991.

I would like to emphasize that this is an independent initiative, supported by the international community. It is an open, non-negotiating forum, with very little overhead—and it has the potential to catalyze a global consensus on programs to support Africa's development. This is an already functioning organization, and I urge everyone committed to Africa's development to support the Global Coalition.

A Unique Opportunity

I believe that Africa today has a unique opportunity to capitalize on the progress that has been made over the last several years. Yes, Africa remains the development crisis of our time. Yes, Africa needs increased support from the international community. But Africa can only ensure that it will receive the aid and attention it needs by demonstrating sustainable development progress. It is becoming increasingly clear that donors are going to focus their aid on countries which show a determination to implement economic reforms, demonstrate efficiency in resource use, and promote good governance. We live in a competitive world and that competition extends to the demand for resources.

The problems facing Africa are immense, and Africa still has a long way to go. But this should not cloud our view of how far Africa has come since 1986. A strong consensus on objectives and action plans has emerged. Each African country should now develop its own specific development goals and targets, and monitor closely its progress toward them. In fact, the World Bank, the UNDP and other donors are already supporting the study of these kinds of national long-term objectives in a growing number of African countries. I repeat: many of the modalities that Africa needs are in place. Let us build upon them.

I happen to share the view of my friend Babacar N'Diaye, the President of the African Development Bank, who often says: "Every day, Africa is getting better and better." Working together, we can reinforce his words in the coming years. Working together, Africa will prevail.

The Long-Term Challenge: From Crisis to Sustainable Growth

The Long-Term Perspective Study (LTPS)

The scope and severity of the economic crisis facing Sub-Saharan Africa is unique in the developing world: declining per capita income, food shortages, unsustainable debt, and institutional and environmental neglect. This daunting crisis demands an exceptional response. We believe that the World Bank's long-term perspective study (LTPS), *Sub-Saharan Africa: From Crisis to Sustainable Growth*, makes an important contribution to the effort.

The report is unique in several ways.

- *Long Term*. It looks 30 years back and 30 years forward, touching on virtually every aspect of African economic life.
- *Consensus-building*. It is based on years of consultation and research and identifies the common ground on which African development strategies can be built; in that respect, the process of preparing the report was as important as the product.
- *Goes beyond economics*. It highlights the political, cultural, and social dimensions involved in reversing Africa's decline.
- *Not a panacea*. It is not seen by the World Bank as the last word on the subject of African development, but rather it is meant to stimulate further discussion. Our hope is that this report will stimulate "long-term perspective" discussions in every African country as well as in the donor countries.

An address to the press on the publication of *Sub-Saharan Africa: From Crisis to Sustainable Growth*, Paris, France, November 9, 1989.

The Strategic Agenda

The LTPS offers a strategic development agenda for the 1990s and beyond, which includes a number of vital issues. First and foremost, the report sees people as both the *means* and the *ends* of long-term development. The theme of "investing in people" is central. The quality of human resource development programs needs to be improved; but, over time, the quantity also needs to increase. The report recommends that expenditures for human resource development should double from present levels to reach 8 to 10 percent of Sub-Saharan Africa's GDP by the year 2000. The goal is food security, primary education, and health care for all Africans within the next generation.

Second, the report indicates that to achieve the economic growth necessary to sustain this human resource development (an annual growth of 4 to 5 percent), continued policy reform and structural adjustment are essential. The world is going to be an even more competitive place in the 1990s, and Africa is going to have to adjust in order to survive and prosper. The latter part of the 1980s have seen a useful beginning, and some fragile but positive results are emerging. The adjustment process must continue to evolve. The report calls for "adjustment with a difference"—better phased and implemented, more responsive to development priorities and to the needs of vulnerable groups affected by transitional costs, and more adequately funded by donors.

Third, the report focuses attention on Africa's population growth rate (3.3 percent)—the highest in the world. Population growth in Africa is running well ahead of economic growth and is jeopardizing the entire development effort. The issue is the growth *rate*, not the absolute *size*. On current trends, population will double in 22 years —an explosive demographic trend. The report therefore recommends slowing the population growth rate and points to measures that could reduce Africa's fertility rate by 50 percent by 2020.

Fourth, the report emphasizes agriculture; to feed the rapidly growing population, and to earn the foreign exchange necessary to fuel development, African agricultural production will need to double from current levels. For this to happen—and for agriculture to be the primary

source of economic growth in Africa—agricultural modernization (research and technologies) will need to be accelerated. But modernization must be ecologically sound.

Indeed, the report emphasizes the linkages—the nexus—between agricultural modernization, the population growth rate, and environmental degradation. Africa's patrimony is under threat, and country-by-country environmental action programs are required to make economic growth sustainable.

Other important points are emphasized by the report:

- Regional cooperation and integration need to be increased.
- Africa needs an enabling environment to promote private sector initiative (including the informal sector), and foreign investment needs to be encouraged.
- Nongovernmental organizations (NGOs) and local, "bottom-up" development groups, need to be better utilized.
- There is a need to move beyond rhetoric in supporting and realizing the enormous potential of African women in the development process.

Capacity Building

Permeating all of these issues, the LTPS sees the need for greatly increased capacity-building in Africa: strengthening the skills and capabilities of *African* people and institutions. Asia and Latin America developed their own internal capacities over decades with appropriate external support. Africa has been treated differently in this respect. Thus the report calls for a radical reappraisal of external technical assistance approaches (currently running at more than $4 billion a year). Indeed, the report sees capacity-building as the key to long-term, sustainable development.

Governance for development will also need to improve—more efficiency, transparency, and accountability. This is a new theme for the World Bank to emphasize in its reports and, clearly, it relates directly to capacity building.

External Support

Development must evolve internally: it cannot come from outside. The report emphasizes that Africa's future can be decided only by Africans. But substantial external assistance can help and indeed is vital. The report sees the need for increased donor assistance in the 1990s. Sub-Saharan Africa's external resource requirement could be met if gross official development assistance (ODA) increased at about 4 percent a year in real terms and if concessional debt relief mechanisms were put in place to limit Sub-Saharan Africa's debt service payments at current levels (about $9 billion a year).

This is a major challenge to the donor community. But if this level of assistance can be provided, the LTPS suggests that Africa's economic decline can be gradually reversed and the need for aid reduced. One other important factor is that aid must be used more effectively —quality is as important as quantity.

No institution or single source has all the answers to Africa's problems. Given the magnitude of those problems, the report calls for new, more intensive forms of collaboration among donors and Africans. A *global coalition for Africa* is proposed—to provide a forum where all the concerned parties can discuss long-term issues, develop consensus, and guide action programs.

The Long-Term Perspective

Sub-Saharan Africa has been locked in crisis for the past decade. There has been little opportunity to lift our eyes and look at the longer term. The LTPS seeks to provide that opportunity. It is a realistic assessment: Africa will be the greatest development challenge facing the international community well into the next century. But there is also room for some cautious optimism: if Africa pursues appropriate strategies—and receives adequate external support—the potential is there to move from crisis to sustainable growth.

Economic Reform and the Challenge of Adjustment

Background to Adjustment

The second oil shock of 1979, followed by steep global recession, reconfigured the development landscape. Many developing countries suddenly found themselves with balance of payments and debt problems of crisis proportions. Sub-Saharan Africa was in an especially vulnerable position because its basic economic structures and capacities were weaker than anywhere else.

The region had no industrial base to speak of, its human resource and management skills were extremely thin, its infrastructure was sparse and often run-down, its technological options were limited, and it was rapidly losing its competitiveness to other developing regions. Wrong-headed policies fed into and exacerbated these basic problems. Grossly overvalued exchange rates, excessive taxation of exports, widespread price controls and subsidies, state interference in internal and external trade, and generally poor management of the revenues from the commodity price booms of the 1970s—all these left Africa in the early 1980s with a major development crisis on its hands.

Agriculture, the backbone of most African countries, provides a graphic example of Africa's problems. In 1960 Africa was a net food exporter; until 1970 the continent was self-sufficient in food. But in the 1970s and 1980s—while food production per capita rose steadily in Latin America and Asia—in Africa it increased at only half the rate of population growth. Farmers were extremely hard hit by inefficient state marketing boards and by policies that kept prices

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An address to the Overseas Development Institute Seminar on Lomé IV and Structural Adjustment at the ACP Secretariat, Brussels, Belgium, April 21, 1989.

artificially low. Without adequate incentives, many farmers decided not to produce food beyond their own immediate needs.

Africa's main source of revenue, export crops, also lagged. Some of this was due to price deterioration, but a more important factor was lack of competitiveness. While the trade of other developing regions was growing, Sub-Saharan Africa's international market share dropped from 3 percent in 1960 to just over 1 percent in 1988. This choked off Africa's central source of growth and limited its means for paying its way. Africa borrowed more to fill the gap. Its external debt rose from $6 billion in 1970 to $130 billion in 1987.

Africa's economic crisis and the failure to adjust its policies to global realities had severe implications. Lack of resources meant that investment in essential productive sectors and services fell. And as population growth continued at an unprecedentedly high rate, there were heavy social costs. Between 1980 and 1985 (a period in which relatively few African countries were in adjustment), the social indicators for 33 countries deteriorated: per capita education expenditures fell, per capita health expenditures fell, and daily per capita caloric intake dropped. By the mid-1980s it was clear that not only economies were being hurt by Africa's failure to adjust—so were people, and on a massive scale.

The Movement toward Adjustment

Given the scale of the crisis, a new approach to Africa's development was required—on the part of the African countries themselves as well as international donors. Sound economic management became all the more urgent as Africa's resources, credit, and import capacities dried up. Thus evolved the movement toward adjustment. It began slowly in the early 1980s with a handful of countries (such as Ghana, Kenya, Malawi, and Togo) undertaking reform programs aimed at increasing productivity and stimulating growth. By the later part of the 1980s, some 30 Sub-Saharan countries had embarked on these programs of structural adjustment. The UN Special Session of May 1986, when Africa accepted the major responsibility for its own development, was a turning point.

Structural adjustment is extremely difficult. It involves profound economic, social, and political changes. Many vested interests are challenged as government expenditures are tightened up, agricultural producer prices increased, trade liberalized, exchange rates realigned, state-owned enterprises streamlined, and incentives introduced into the productive sectors. Adjustment is to a great extent a learning-by-doing experience for all concerned and the specific measures taken, the phasing, and the funding are different in every country.

Most African governments have adopted these adjustment programs cautiously and nervously. Some have stopped, restarted, and tried again. In the latter part of the 1980s, however, there has been a growing sense of momentum behind adjustment in Africa, a growing sense of confidence. More important, the process has been going on long enough now to yield some early results.

Signs of Progress

Most African countries have embarked on sustained adjustment programs only since the mid-1980s and so the changes have really only just begun. Some early signs of progress are, however, already emerging—in terms of increased agricultural production, export volumes, and growth in GDP.

This process is very fragile. Early successes can be all too easily reversed, and several countries pursuing reforms have not yet seen a return to growth. There remains a long way to go. Nevertheless, some of the major trends in Africa now seem to be moving in the right direction—rather than the wrong direction.

Reforms and Resources

The African commitment to these programs is the single most important factor involved. Some countries continue to vacillate, others lack the institutional and human capacities to formulate, design, and implement effective adjustment programs. If reform programs are to be sustained over the long term, these skills and capacities are essential and must be built and strengthened. At the same time, we should not underestimate the truly African character of the movement

toward adjustment. The view that adjustment programs are somehow imposed by external agencies—the IMF or the World Bank—does a disservice to the genuine African effort.

If the African commitment to reform is crucial, so is that of the donor community. In too many of the early adjustment programs, donors did not meet their side of the bargain, and underfunding led to failure. The external debt burden of low-income African countries was a particular problem which, at first, was not being adequately addressed by donors. In 1985 the debt of the poorest group of African countries (IDA recipients) was 311 percent of annual exports. Between 1980 and 1988, 25 Sub-Saharan countries had their debt rescheduled 99 times—an obvious indicator of their debt distress.

To address this debt issue, the World Bank and some 20 other major donors set up a collaborative framework in 1987—a Special Program of Assistance (SPA)—to help the low-income, debt-distressed African nations that were undertaking adjustment. This was a major breakthrough. First, under the SPA, donors channeled substantial levels of new, quick-disbursing, highly concessional aid to the poorest African countries. Between 1988 and 1990, $6.4 billion was committed to be used alongside the $6.2 billion that the World Bank had allocated to Africa from its IDA-8 replenishment. Second, and again within the framework of the SPA, the IMF created an Enhanced Structural Adjustment Facility (ESAF) of $8.4 billion in 10-year money at 0.5 percent interest. This was intended to help reduce—and possibly even reverse—the negative flows from Africa to the IMF caused by the repayment of the large commitments made by the Fund to Africa at the onset of the economic crisis in the early 1980s.

Third, the SPA called for substantial debt relief for Africa in one or more forms—reduced interest rates on nonconcessional debt, rescheduling with longer grace periods and maturities, or outright conversion of bilateral loans to grants. This menu of options for debt relief was endorsed by the Toronto Summit in June 1988 and began to be implemented by the Paris Club. Several countries such as Finland, Norway, and Sweden—have also converted their concessional loans to Africa into grants. A further dimension of the SPA allows IDA repayments to be used to reduce IBRD debt owed by low-income African countries.

This SPA collaboration has been very important for Africa.

- It catalyzes additional flows of resources to the poorest African countries in adjustment; donor flows to reforming countries increased by 20 percent during 1985–87.
- It establishes special debt relief measures for Africa; debt relief for reforming countries increased 50 percent in 1986–87.
- It helps coordinate donor support for adjustment in Africa on everything from policy agreements through to procurement and disbursement procedures; this level of coordination and cooperation had been lacking in the past.

The Social Dimension

Adjustment, and the growth it spurs, will help to improve social conditions in the long run. It will provide the resources necessary to sustain education, health, and other vital programs. But growth, on its own, will not alleviate all poverty. Specific social policies and actions are also needed to ensure that the poorest people share in the growth process and to protect them from any negative transitory effects of adjustment.

This was an issue to which, quite frankly, the donor community did not pay sufficient attention in the early days of adjustment. It is an area in which we have all been learning and, increasingly, taking action. In the design of all the World Bank's adjustment loans, for example, special measures are now incorporated to help compensate those who may be affected by the closure of an uncompetitive public enterprise or the reduction of an unaffordable subsidy—special retraining and temporary employment programs, for example, or nutrition programs.

Furthermore, as a means of placing the needs of the poor at the very core of adjustment, the Bank—in collaboration with the United Nations Development Programme (UNDP), the African Development Bank (AfDB), and other donors—has established a Social Dimensions of Adjustment (SDA) Project for Sub-Saharan Africa. About 30 Sub-Saharan African countries are involved. In addition to designing the conceptual framework for incorporating social dimensions—health,

education, and food security—into adjustment programs, the SDA Project supports the design of specific country social policies and programs. It also helps to strengthen institutions responsible for formulating social policy, analyzing social conditions, and collecting socioeconomic data. In short, the SDA project seeks to ensure that the needs of the poor are given primary consideration from the very outset of the adjustment process.

It is sometimes argued that macroeconomic adjustment hurts the poor. It is important to remember, however, that heavy social costs have already been borne by the poor in countries in which adjustment has been postponed or avoided. This distinction between the cause and effect of adjustment must be clearly understood. And while there are social costs associated with adjustment programs, there are also social benefits. For example, the shifts in relative prices that are supported by adjustment programs almost always boost production and employment in rural areas—where the bulk of the poor live. In that respect, adjustment is the ally of the great silent majority in Africa—the rural poor.

The Long Term

The need for balance and perspective in the approach to Africa—between macroeconomic adjustment and development actions, between the short term and the long term—is essential. The World Bank is striving to achieve that balance. About 40 percent of our lending to Africa is for adjustment; the remainder is for the more traditional project-oriented investment. We believe this balance is about right, but we are constantly monitoring it and are ready to adapt to changing circumstances.

One fundamental point is clear: adjustment is a fact of life—for everyone, for every country. It is a continual process, not a one-time correction. There is no alternative. The early evidence out of Africa suggests that the strategy of adjustment with growth is beginning to work. But there is no room for complacency. African countries need to deepen and sustain their reform programs. And donors need to live up to their commitments by giving adequate support to African adjustment efforts.

The Population Challenge: Safe Motherhood and Sound Development

The African Mother and Development

She represents as much as 60 percent of the labor force, yet she earns only 10 percent of total cash income. She grows 80 percent of the food, but she may be the last to sit down to a meal. She has to take care of the children and the housekeeping, yet she must also walk miles a day to gather firewood and water. She rises earlier, but goes to bed later, than anyone else in the family—and often works 18 hours a day. When she marries, which is usually very young, she faces two decades of child-bearing, and her chance of dying during pregnancy is frighteningly high, at 1 in 20. She is the African mother.

How can we ease the burdens that rest on the shoulders of African mothers? It is a question at the very heart of the development of Africa. For African women have the primary responsibility for the health and education of their children and for the living standards of their families. The African mother is the very foundation of African society.

Yet the African mother is also the most vulnerable member of that society. When food is in short supply, she is the one who goes without; when there is no doctor within miles, she is the one who must deal with the risks and complications associated with her frequent pregnancies and with her children's health crises; and when national economies are mismanaged and incomes and quality of life indicators plummet, she is the first to have to face the consequences.

The sad fact is that some 150,000 maternal deaths occur in Africa each year, which account for 30 percent of all maternal deaths world-

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An address to the Safe Motherhood Conference, Niamey, Niger, February 2, 1989.

wide. Five million of the 7 million infant deaths in the world each year also occur in Africa. What can be done to improve this tragic situation?

Raising Awareness

To start with, just raising awareness of the special set of problems that confront African women is important. All of us involved in development—national governments, international bodies, nongovernmental organizations, the media—must do more to help educate the general public, and young people in particular, about these issues. We must bring home the fact that too many pregnancies expose a woman to high risks of maternal death and that in Africa the chance of a woman dying from pregnancy-related causes is the highest among all the developing regions. We must also get the message across that many of these deaths can be prevented if women in Africa do not start their childbearing too early, do not space their children too close together, and do not continue to have them too late in their childbearing years.

There is much that African governments and outside agencies can do to reduce the risks of childbearing for women. As we learned at the first Safe Motherhood Conference in Nairobi in 1987, some practical and low-cost measures can be taken immediately.

- First, increased access to family planning education and techniques; maternal mortality could be substantially reduced if, for example, pregnancies were delayed until age 20 and stopped after age 35 or 40.

- Second, stronger community-based health care, which relies on health workers other than physicians, can help to screen pregnant women, identify those at high risk, and refer them for help; it can also provide good prenatal care and generally encourage better family health and nutrition.

- Third, stronger referral facilities—that is, well-equipped, well-staffed, and strategically located hospitals and health centers can act as a backup network for complicated deliveries and emergencies.

- Fourth, an alarm and transport system can help to transfer women in emergency during childbirth to the referral facilities in time to save their lives. The World Bank reckons that putting such mechanisms in place should cost no more than about $2 per person a year, compared with an average of $9 now being spent on health care in low-income countries. More important, we estimate that strengthening basic health systems in this way could reduce maternal mortality by about 50 percent within a decade. Even in this era of constrained resources, we can find the money to do this. Indeed, we cannot afford not to do this.

Enhancing the Role of Women

Beyond these special actions to ensure safe motherhood, African governments and the donor community must give greater emphasis to nurturing and enhancing the role of women in development. Women are so central to development that their needs and potential contributions must be given the fullest consideration in every single project and by every economist and administrator. Through its women-in-development (WID) initiatives, the World Bank is intensifying its efforts to improve the condition of women in Africa. But there is no question that this is an area in which everyone in the development community must do more —to increase women's access to agricultural and small business credit and extension services, to remove legal obstacles to women's participation in economic life, and to improve women's access to education.

We know that an educated woman is better equipped to take advantage of opportunities to work and to develop interests outside the traditional role. We know that she is more likely to delay marriage to finish schooling and is much more likely to space her children. And we know that she is more likely to have fewer and healthier children. Providing greater opportunities to women for education, therefore, will not only foster increased economic activity, but will also encourage sensible decisions about childbearing and health care—and thus help to guarantee that the next generation will be healthier, happier, and more productive.

Women's groups and youth groups that exist in several countries—such as the Union des Femmes du Mali; the Union of Burkinabe

Women; the Association des Femmes Nigeriennes; and grassroots, volunteer, community-service youth groups, such as the Samariya in Niger—have done an excellent job in bringing more knowledge on health, nutrition, and family planning to African mothers. They can be strengthened so that they can play an even greater role in promoting the interests of women and safe motherhood.

Demographic Realities

What is good for the mother is good for the family—and good for Africa. Having too many children too fast leaves the mother overburdened and exhausted; it also leaves Africa—which is ultimately the mother of the whole community—overburdened and exhausted. Africa's current extraordinarily high rate of population growth is having a severe effect on the health of the mother and the health of the continent.

I understand that population growth is a highly personal and sensitive subject. I understand that each country must attune its policies to its own cultural environment and economic circumstances. I also understand that donors may not always present or approach the issue in the most appropriate or effective way and that we need to work together to improve communication. But even taking all this as understood, the demographic realities facing Sub-Saharan Africa remain: population growth is running ahead of economic growth.

Let me be clear on this point: it is not the absolute size of Africa's population that is of concern—it is the rate of growth. In fact, Africa's population growth rate is the highest ever seen anywhere, anytime in human history. While in Asia and Latin America better health care and extension of education have been accompanied by falling population growth, in Africa the reverse has been true. In 1960 African and South Asian population growth rates were around 2.5 percent a year and Latin America was pushing 2.9 percent. Today South Asian and Latin American rates have fallen to 2.1 and 2.5 percent, respectively; but in Africa the rate has risen to 3.3 percent, with average fertility rates—that is, the number of children born to a woman—the highest in the world. Even if fertility were reduced to two children per African family tomorrow, the continent's population would continue to expand for the next 60 to 70 years, because

the population is so young. On current trends, it will double within the next 20 years. No region of the world has ever managed to achieve economic development with this rate of population growth.

So Africa, like every mother, has a choice: it can try to slow population growth a little to give itself the time to generate the resources required to meet its children's needs. Or it can continue with its very high growth rate, whereby the number of people is assured, but the quality of their lives is not. If the latter choice is made, then the basic objective of development—winning the war against poverty, ignorance, and disease—becomes that much more difficult. Africa has the choice of filling its spaces quickly with many relatively ill-fed, unhealthy, uneducated, underemployed people—or of spacing its children so that both they and the society as a whole have a better chance of a much better life.

The link between accelerating population growth and the environment is especially worrisome because population is putting unsustainable pressure on agricultural land. Since the traditional farming land of Africa is already overcultivated, more fragile land is being increasingly exploited to meet the needs of the growing population. As a result, the environment is being degraded at an alarming pace —causing desertification, deforestation, and loss of vegetation cover. In effect, the African continent—like the African mother—is in danger of being completely exhausted. Viewed in this context, it is clear that issues such as safe motherhood, child spacing, and the role of women are not just optional extras, but are essential parts in the development mix. Yet, this remains an area of weakness in the development strategies of both donors and African governments.

An Agenda for Action

The World Bank is currently working to bring African governments and donors together to develop a concrete agenda for action. This agenda should include the following measures:

- First, intensify the fight against infant mortality in Africa so that parents do not have to worry so much about their children's survival; healthier babies in the short term are key to slower population growth over the long term.

- Second, increase research on why Africa's fertility rate remains so high, with a focus on cultural dimensions.
- Third, elevate and integrate population issues into the policy dialogue with African governments.
- Fourth, develop better mechanisms to coordinate aid in the population field among multilateral, government, and nongovernmental organizations.
- Finally, expand family planning education and programs that have proven appropriate and workable.

It is encouraging that most governments in Africa are today aware of the demographic trends in their countries and that several have already taken steps toward devising national population policies. Many also are including the provision of family planning services in their national health policies, which will help to promote safe motherhood. In Rwanda, for example, the Office National de la Population (ONAPO) has, during the past five years, carried out an effective public campaign to educate general audiences about population growth, the shortage of land, and parents' responsibility for providing a decent living standard for their children. Kenya, Nigeria, Senegal, and Zimbabwe have also set up promising programs.

None of these actions will prove durable, however, unless African governments clearly demonstrate to their peoples that slowing the population growth rate is a priority. High-level political commitment is essential if population strategies are to work. I am convinced that with such commitment, and with much better performance from the donor community in this area, some real breakthroughs can be made.

Therefore, I want to offer a challenge—to the World Bank and to the governments and peoples of Africa. First, let us do everything we can to create an environment of economic growth, social equity, and improved health in which African mothers—like mothers elsewhere—will not want to undergo so many pregnancies. Second, let us do everything we can to reduce maternal mortality rates by 50 percent within the next decade, implement the UN targets for reduction of infant and child mortality, and reduce the total fertility rate in Africa by 50 percent by 2015. A reduction in total fertility from 6.7 births per woman to 3.3 births, if achieved during the next 25 years, would

be a powerful tool for continuing to reduce maternal as well as infant mortality. In addition, it will slow the pace of population growth. Specific targets are needed so that progress toward these major objectives can be assessed.

It is by no means an impossible task. The record in Asia and Latin America clearly shows how effective family planning programs can be. The World Bank estimates that about 40 percent of the decline in fertility throughout the world between 1965 and 1975 can be traced to the expansion of such programs. Direct government and donor intervention has changed demographic history in other developing regions of the world. The same can happen in Sub-Saharan Africa.

The Challenge to Mother Africa

This is a challenge to which all friends of Africa will respond. But again, the most critical players will be the African mothers themselves. They will also be among the principal beneficiaries. There is no question that child spacing and other methods of family planning can greatly improve the health of mothers and children—and help to raise the standard of living for everyone. In addition to the direct health benefits, family planning also makes responsible parenthood easier, it enlarges the choices available to people, and it offers the greatest potential benefits for poor people, whose mortality and fertility rates are usually the highest.

For all these reasons, political commitment to population programs is of fundamental importance in helping to improve the well-being of the countries of Sub-Saharan Africa—and the well-being of African mothers. In addition to these policies, all African governments and donors must continue to support strongly the safe motherhood initiative through projects, research, and strategies that will help to reduce, as quickly as possible, the burdens that weigh so heavily on African women.

Like the mothers of Africa, Mother Africa too is fighting courageously to overcome poverty; she too is striving to gain more control over her decisions and destiny; and she too is working toward a vision of a brighter future for herself and her children. Let us pledge to support Mother Africa in her endeavor—and to help make her vision a reality.

The Challenge of Hunger: Ensuring Food Security

Hunger in Africa

Hunger in the midst of plenty is surely one of the most difficult development and, indeed, human dilemmas facing the world today. While many industrial countries struggle with the problems brought about by food surpluses—mountains of beef and butter, lakes of wine and milk—many developing countries struggle to provide their large populations with even the minimum diet required to sustain life. Hunger is surely the most abhorrent physical expression of absolute poverty—for it is imprinted on human flesh and bone.

A quarter of Africa's population—more than a hundred million people—do not get enough to eat. The average daily intake of calories in Africa remains below the minimum required to lead a healthy life, and per capita agricultural production there has declined by about 1.1 percent a year since 1965. Total food production in Africa has in fact been increasing, but not fast enough to keep pace with a population growing annually at a rate of 3.3 percent a year—faster than any region in the world has ever experienced.

But Sub-Saharan Africa's population explosion is only one of the many complex and interconnected reasons for the region's poor agricultural performance. Other factors include government policies that have discriminated against African agriculture and rendered it uncompetitive; lack of adequate improvements in inputs and technologies; land tenure systems that do not provide farmers with the security needed for them to invest in their land; environmental problems arising from shifting cultivation, overgrazing, and deforestation; volatile prices for African primary products; and the failure of

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An address to the World Food Conference, Brussels, Belgium, April 8, 1988.

donors to coordinate their agricultural assistance strategies and to ensure that they are appropriately designed and implemented. These factors have been particularly detrimental in Africa because agriculture is the mainstay of the continent's economy; it contributes nearly 40 percent of gross domestic product (GDP), 30 percent of exports, and 75 percent of employment. If agriculture is in trouble, Africa is in trouble.

Poverty and Food Security

How can we help to revitalize agriculture and end hunger in Sub-Saharan Africa? Before suggesting solutions, let us first define the problem. The World Bank defines it in terms of food security. Food security is access by all people at all times to enough food to lead an active and healthy life. Lack of food security is sometimes due to scarcity of food supply. When this is caused by drought or disease or war, the situation is usually widely publicized by the media. But the other, more widespread, deep-seated, and insidious form of food insecurity is caused by people having neither the ability to produce food or the purchasing power to buy it. This fundamental notion is worth emphasizing: hunger is not only caused by transitory droughts or crop failures or interruptions in the market. Rather, chronic food insecurity is often caused by poverty—by people simply not having the capacity to generate the income needed to acquire food. Again, this problem is exacerbated in Sub-Saharan Africa because average per capita income has been declining for decades—by about 20 percent in the 1980s alone. How can we strike at the root of this problem?

Agricultural Adjustment and Growth

The first imperative is for governments of the region to adjust their economic policies so as to get their countries back on a growth track, make them as efficient and productive as possible, and liberate the vast entrepreneurial potential of their people—particularly their farmers. Policy changes such as moving toward realistic exchange rates, liberalizing trade, encouraging exports, and expanding private enterprise are essential for increasing per capita income. An overvalued exchange rate, for example, will generally reduce both the incentive to produce agricultural products and the competitiveness of

agricultural exports; it decreases returns to factors of production and limits overall growth. Thus both aspects of food security are affected, since both the availability of food and the purchasing power to acquire it are reduced.

To increase food security, the most important place for adjustment and growth to occur is in the agricultural sector. A more productive agricultural sector increases the availability of food, and, for most Africans, agriculture offers their only opportunity to generate the income needed to acquire food. A foundation block of the World Bank's lending for agricultural adjustment is increasing incentives for farmers. Without incentives, farmers will not invest labor, land, or cash in new technology to increase output. Research and extension services might help to increase the amount of food farmers produce for their own consumption if they are undernourished, but such services will not increase the amount produced nor the farmer's income if prices are unattractive. The World Bank suggests a comprehensive approach to adjustment in the agricultural sector, which goes well beyond the issue of producer prices. The Bank also helps countries to invest in agricultural production, distribution, and storage systems and to focus their efforts on important food crops in which they have a comparative advantage rather than aiming for self-sufficiency in all foods.

Social Dimensions

The Bank realizes that adjustment measures may cause some short-term dislocations for certain groups, and it strives to reduce these effects. For example, it can take time for improved prices to result in increased production, and government revenues may fall temporarily when taxes on export crops are reduced. Foreign aid and multilateral lending can help to bridge these revenue gaps. The cost of living may also rise for some urban and nonfarm groups, and this could justify introducing food aid programs or continuing certain subsidies—but these must be carefully targeted so that they reach the poorest groups.

There is no question that adjustment involves shifting income away from urban groups to rural and farming households. Although such shifts are extremely difficult to make, they are desirable on the

grounds of equity alone—because poverty and malnutrition in Africa are mainly rural phenomena. Incomes in industry and services (mainly government employment) are four to eight times higher than in agriculture. Something must be done to rectify this imbalance. The World Bank is prepared to do all it can to mitigate any interim social costs involved.

Agricultural Productivity Initiative

In addition to adjustment efforts aimed at promoting per capita income and agricultural growth, the achievement of food security will require other specific efforts in the agricultural sector. First, increased financing for infrastructure—irrigation systems, storage facilities, rural roads, and farm equipment—is required. In parallel with this financing, the World Bank has launched an initiative to increase the productivity of agriculture, particularly food crops. This agricultural productivity initiative aims to build not only on past experience in Africa, but also on the success in raising food production in several Asian countries. It has already been adapted to the African context through pilot projects in Burkina Faso, Cote d'Ivoire, Kenya, Nigeria, and Togo. The main elements of this initiative include:

- A major effort to improve the delivery of agricultural research, extension, credit, input supply, animal health, forestry, and other services to small farmers; this effort builds on successes achieved with the training-and-visit system.
- Services delivered through national programs that rely on strengthened local capacity and institutions rather than on foreign management; the sustainability of these programs is also facilitated by their low cost and appropriate design.
- Cofinancing from donors to overcome the multiplicity of uncoordinated aid activities that have tended to weaken the overall coherence of agricultural strategies in Africa.

The initiative also includes a systematic effort to integrate environmental concerns and sensitivities into project and policy analysis. The Bank itself has made natural resource sustainability an institutional priority and recognizes that protection of the environment is

inextricably linked to agricultural development in Africa. The land is Africa's basic capital. If this capital is consumed, then the outlook for the continent is disastrous—and food security will not be possible.

Women Farmers

Another central objective of any effort to revitalize agriculture must be to reach that large group of African farmers who are sometimes "invisible" to both governments and donors—women. Women often must provide the primary economic support for their children, mostly through subsistence farming and petty trade. And a sizable proportion of Africa's food-producing farmers are women. Yet many of these farmers lack assured rights to the land they work, lack access to credit or new production technology for food crops, are ignored by male-oriented extension services and donor organizations, and cannot obtain basic skills training. As a result, their potential contribution to the economy as a whole and to food security in particular is lost. To help realize this potential, major efforts must be made to focus on women farmers in Africa.

Technology and Research

New technologies also have key roles to play in modernizing African agriculture. Basic agricultural resources can be greatly enhanced by implementing improved land, water, and livestock management techniques. Enormous leaps also have been made in weather and other agriculture-related forecasting. Through relatively inexpensive mechanisms such as satellite photography and agrometeorology, the probability of drought, levels of rainfall, and harvest yields can all be predicted with reasonable accuracy. The key is for donors, governments, and, especially, the farmers of Africa to apply this information.

Agricultural research is also crucial. There already is a massive effort under way to expand and improve African agricultural research. We have a substantial amount of unassembled data for Africa on crop varieties, the cause of diseases, the use of moisture, and so on. But we need to synthesize and utilize this information much more effectively. The Special Program for African Agricultural Research (SPAAR),

established in 1985, is helping to better coordinate donors' research activities and disseminate information on promising technologies —as well as promoting national and regional research programs. All donors must make much stronger efforts to coordinate their agricultural research programs. The importance of strengthening and supporting African research centers through "twinning" arrangements with donor institutions should also be emphasized.

An Action Program

Improving agriculture and reforming policies to boost both purchasing power and food production are critical links in the chain leading to sustainable development for Africa. But a focus on agriculture and economic growth alone will not be enough to end hunger. Even countries that enjoy growth and have food surpluses may have substantial numbers of people suffering from malnutrition.

Economic growth takes time, but the problems of food insecurity may be severe enough to demand immediate remedial action. Moreover, in some countries, the benefits of economic growth may not reach certain remote regions or disadvantaged groups—the sick, the elderly, the urban unemployed, or rural landless laborers. Special actions are necessary to help those who may remain hungry despite economic growth. For this reason, the World Bank is recommending a comprehensive action program that involves looking beyond growth. Some of the program's major themes include:

- Making more systematic efforts to identify the groups at high risk of food insecurity and developing specific action agendas in individual countries to address both transitory and chronic food security problems
- Giving priority to projects and policies that raise the incomes of the food insecure, dampen fluctuations in food supply, and increase production and purchasing power within food-deficit regions and population groups
- Improving the preparation, coordination, and response to emergency food situations, both in affected countries and in the donor community

- Enhancing the effectiveness of food aid
- Helping to build the institutional capacity of African governments to handle complex food security issues—in particular, by drawing on the greatly underutilized capabilities of nongovernmental organizations (NGOs).

Another vital need is for increased economic cooperation and integration among countries of the region. Economies of scale, larger internal markets for investment and demand, more efficient use of scarce resources, lower national overhead costs, and, ultimately, faster GDP growth could all result from greater cooperation within Sub-Saharan Africa. Food security is one of the areas of greatest potential. Regional cooperation in agricultural research, technology, and management of food surpluses and deficits could help greatly to alleviate Africa's food problems. Increased trade in agricultural and food items within Africa would be particularly fruitful.

The World Bank does not pretend to have come up with any new solutions to the problem of hunger in Africa. By renewing the debate on food security, however, we can impart a greater sense of urgency to the problem, a greater degree of consistency in ongoing operations and strategies, and a greater understanding of the issue in countries in which the problem is most severe. Certainly, we owe it to the people who go hungry, day in and day out, to continue to focus attention on their plight—and to strive to end it.

The Donor Challenge: Partnership for African Development

African Challenges

Africa is in crisis today. But as economic reform programs take hold and aid flows supporting them begin to take effect, Africa should increasingly become a magnet for investment and be perceived as an opportunity for profitable enterprise. Africa has not reached that point yet, but it is changing. Increased awareness of that fact is going to be a large part of the long-term solution to the region's problems.

We should not underestimate the magnitude of those problems; achieving sustainable growth with equity in Africa is going to be the greatest development challenge facing the door community in the 1990s and into the 21st century. We are all familiar with Africa's difficulties: low economic growth, high poverty levels, a deteriorating environment, accelerating population, an unsustainable debt burden, many small economies, dependence on a few primary commodities, and so on. Africa's decline in competitiveness—in an increasingly competitive world—is a basic issue.

Sub-Saharan Africa's terms of trade declined by 31 percent during 1980–87, mostly because of the fall in primary commodity prices. But an even more serious factor was Africa's loss of competitiveness in world markets. If, for example, Sub-Saharan Africa had managed simply to maintain its 1970 market share of non-oil primary commodities, its export earnings in 1989 would have been between $9 billion to $10 billion higher—about the same as the region's annual debt service payments.

An address to the Business International Conference, London, the United Kingdom, November 2, 1989.

Another fundamental problem has been the weakness of Africa's institutional and human capacities—particularly the capacity to identify and manage change and the modern relationships between African economies and the world. One further fundamental block on Africa's progress has been the lack of consensus—within Africa as well as between Africa and the donor community—on how the region's development problems ought to be tackled. This lack of a long-term, shared vision and concerted effort is a major difference between Africa's development history and that of, say, India or East Asia, where this kind of consensus has existed for generations.

African Opportunities

These are some of the challenges facing Africa. What are the opportunities? During the past several years there have been signs that an important intellectual and economic revolution has begun in Africa. It began slowly, with a handful of countries undertaking economic reform programs aimed at increasing efficiency and productivity and stimulating growth. Today, some 30 Sub-Saharan countries have embarked on programs of structural adjustment. These programs are wide-ranging and involve overhauling exchange rates, deregulating prices, lowering trade barriers, cutting government spending, and privatizing parastatals.

In many countries that have strong and sustained reform programs, there are encouraging signs of growth well above that achieved in the early 1980s. This movement toward economic reform and adjustment is a trend of potentially historic importance for Africa. The growing internal consensus on the need for reform presents a significant opportunity for African governments to get hold of economic issues that were previously beyond their control—sometimes not even discussed—and to get back on the path of sustainable growth. Adjustment is also helping to build a policy environment in African countries that is conducive to increased aid flows and investment.

The Donor Response

The response of the donor community to Africa's adjustment efforts is another encouraging trend. When I returned to work on Africa in

1984 (after a number of years of working on East Asia), I was stunned by the low morale in donor aid agencies and by their dejected attitude about Africa. Aid flows to Africa were declining, and there was a mood of pessimism.

There has been something of a turnaround in the later 1980s. Net official development assistance (ODA) disbursements to Sub-Saharan Africa increased, on average, by about 9 percent a year in real terms during 1984–87, compared with 2.8 percent a year in the early years of the decade. The region's share in worldwide net ODA disbursements increased from 23 percent in 1980 to almost 30 percent in 1987; the low-income countries in the region received $36 per capita in 1987, compared with $25 in 1983.

Adjusting countries, in particular, have received substantially higher increases in aid. Flows of ODA to countries undertaking adjustment grew 20 percent a year in real terms during 1985–87, thus reflecting shifts in donor preferences and increased cofinancing with World-Bank-supported adjustment programs. In addition, the adjusting countries have been the major beneficiaries of increased debt relief, including the special concessionary menu of options agreed to at the 1988 Toronto Summit.

The Special Program of Assistance (SPA) for the low-income, debt-distressed countries provides a framework for combining additional concessional resources, debt relief, and policy reforms. In December 1987 some $6.4 billion was committed under the SPA for 1988–90 —and the program is being extended for another three years. The SPA is important not only because it represents a substantial shift in donor funding toward support for adjustment in Africa, but also because it helps to coordinate donor policies on issues such as the untying of assistance, procurement, and disbursement procedures. In short, it improves quality, not just quantity.

The SPA is a truly international effort, which represents a new sense of partnership within the donor community for Africa. It should be expanded in the 1990s—perhaps by applying some of the creative aspects of the SPA to several of the middle-income, highly indebted African countries. The needs of these countries are as acute as those of the low-income countries covered by the SPA. While we try to

forge the needed international consensus to help them, we will monitor their requirements through the SPA framework.

Debt is an area in which it is essential that the donor community be as creative and catalytic as possible. In 1988 the World Bank set up a mechanism to help countries refinance their IBRD debt with resources on IDA's highly concessional terms. In 1989 the Bank established another $100 million grant facility to help low-income countries buy back their commercial debt at deep discounts. These debt initiatives are encouraging, but we must continue to explore other opportunities.

Action on Long-Term Issues

Some of the efforts being made in Africa to address long-term development issues are also encouraging. In the all-important agricultural sector, for example, reforms are leading to improved performance. According to indices of the Food and Agriculture Organization, African agriculture grew at an annual rate of 4 percent over 1985–88. As a result, the often-reported decline in per capita agricultural production seems to have been reversed, although it remains to be seen whether such growth can continue in the longer term.

Education is another critical area that is being addressed. More than a dozen Sub-Saharan countries are in the process of preparing or implementing World-Bank-supported education sector adjustment operations. Moreover, as a follow-up to the World Bank's 1988 education policy paper, 25 donors to African education have agreed to take concrete steps to improve coordination through externally funded action programs. Building on this progress in the education sector, the Bank is looking at ways to improve higher-level African capacities in policy analysis and economic management.

There is also some forward movement on the highly sensitive population issue. In 1984 only 3 Sub-Saharan countries had government-approved national population programs; between 1985 and 1988 the list expanded to 12. African governments are also beginning to give increased attention to vital issues such as the environment, food security, and the rehabilitation and maintenance of infrastructure.

External Support is Vital

Making the most of these opportunities will require increased external support for Africa, and the quality of that support will need to be further enhanced. The momentum of the growth of aid during the past few years will have to be maintained during the 1990s if the reforming African countries are to persist with their difficult adjustment programs—and if the countries that have not yet embarked on reform are ever to do so.

The World Bank estimates that the external resource requirements of Sub-Saharan Africa could be met if the donor community increased gross ODA during the 1990s at about 4 percent a year in real terms (which is actually less than the rate achieved during the latter 1980s) and put in place concessional debt relief mechanisms (preferably debt reduction) so that debt service payments could remain at the level of recent years—about $9 billion a year. This level of ODA assistance, combined with improved domestic economic performance and debt relief, would allow Sub-Saharan Africa a modest but positive real growth rate in per capita income.

In terms of aid composition, the Bank suggests that ODA should be increasingly focused on four priority areas:

- Supporting public expenditures on physical infrastructure and human resource development; as far as possible, external financing should fund "time slices" of sector and subsector expenditure programs, including recurrent outlays for operation and maintenance.
- Financing structural adjustment, although policy lending should be given increasingly in support of measures already adopted rather than with conditionality based on promises of future action.
- Assisting private sector initiatives at all levels and using nongovernmental organizations (NGOs) to channel more ODA, particularly for microlevel, grassroots development
- Financing regional integration—specifically by supporting the rationalization of regional institutions and by helping to cover the transitional costs of liberalizing trade within Africa.

Following these priorities, the suggested composition of ODA in the 1990s would be 25 percent each for social and physical infrastructure and 50 percent for productive sectors, technical assistance, and program (adjustment) assistance. The aid required can be justified only if it is used effectively and if it is clear that the need for aid will eventually decline. Neither donor nor recipient can accept a strategy that envisages permanent dependency. Thus there must be a credible commitment that aid funds do not go (even indirectly) to finance military spending, luxury consumption, or capital flight. To achieve this, donor assistance should become even more disciplined and selective among countries—and biased strongly in favor of sound and sustained reform programs.

The Role of Private Financing

Because of the generally poor investment environment in Africa, official assistance will likely remain the dominant source of financial support in the 1990s. There has been almost no new private lending to Africa in recent years (net transfers have been negative) and almost no new private investment (only $300 million added in 1988 to the 1987 total of $1 billion).

Transnational corporations (TNCs) have traditionally been valued for their capital investment. Their role in the transfer of technical, marketing, and managerial know-how can be much more far-reaching in Africa. TNCs can foster enterprise by discovering new business opportunities and by assembling the initial capital and human resources to pursue them. In Madagascar and Mauritius, for example, garment industries were established through initial investments by foreign-based firms. TNCs collaborating with domestic counterparts were a catalyst for local entrepreneurs, who later followed their successful lead.

With a population of 500 million now—and probably a billion by early in the next century—Sub-Saharan Africa is a huge, untapped market. As growth takes hold and income levels increase, there will be a large and increasing demand for sound investments to be made in African companies by improving quality control, adding value to products, and by providing already-proven technology and market-

ing expertise. As trade volume expands under structural adjustment and regional integration, there may be sizable banking possibilities in African trade transactions.

These are just a few examples of possible financing opportunities for the private sector in Africa. Through the Multilateral Investment Guarantee Agency (MIGA) and the International Finance Corporation (IFC), the World Bank is making very specific efforts to expand these opportunities.

An Effective Partnership

The economic reform programs currently being implemented in Sub-Saharan Africa are generally aimed at changing the region from a place that investors shun to a place where they are welcomed and eager to invest. It will take time to achieve that transformation. It will occur more quickly if private investors join official donors in supporting growth in Africa.

The positive results beginning to emerge from Africa in recent years reflect the synergy between African reform efforts and support from donors and creditors. They reflect an effective partnership. The late 1980s have proved that this partnership can work. The task for the 1990s is to take full advantage of this opportunity to sustain Africa's growth and development.

The Human Resource Challenge: Education

Education, Economic Growth, and Development

Much has been said and written about the African crisis—the cumulative effect on the countries of Sub-Saharan Africa of the steady decline in per capita income and consumption, food shortages, explosive population growth, environmental degradation, deterioration in export earnings, and the millstone of external debt. This African crisis is the single greatest development challenge facing the international community today. But even more directly, it is a challenge to the African people and to their political, economic, and social institutions. Ultimately, the African crisis can be resolved only by the Africans themselves. They must take the necessary steps to adjust their policies and get their countries back on a path to sustainable economic growth and development. To do the job, however, they need the tools. And education is an essential tool for development, especially if by development we mean enriching the lives and increasing the productivity and welfare of people.

Let us have no illusion about the magnitude of the challenge of revitalizing education in Sub-Saharan Africa. It will be met only through strong, sustained efforts from the donor community and through vigorous, enlightened leadership from the governments of Sub-Saharan Africa in coordinating those efforts. This need for joint action—partnership—was evident in the extensive consultations that were held with both governments and donors in preparing the World Bank's 1988 policy paper, *Education in Sub-Saharan Africa: Policies for Adjustment, Revitalization, and Expansion.*

An address to the Donors to African Education, Paris, France, January 25, 1988.

There is now substantial empirical evidence of the strong correlation that exists between education and higher income levels, innovation in agriculture, improved maternal and child care, diet and nutrition, lower fertility rates, and other preconditions of economic progress and human development. Assessments of labor market returns to investments in education consistently find rates of return above 10 percent and sometimes above 20 percent—rates that compare favorably with those in most sectors in Africa today. In agriculture, a sector that is of enormous importance to Africa but that has had particularly disappointing project results, it has been estimated that four years of primary education can expand output by 10 percent. So there can be no doubt about it: education is not a luxury, but rather a necessity, which has a direct impact on development performance. As Alfred Marshall and the classical economists perceived long ago: "Knowledge is the most powerful engine of production."

The benefits of education go beyond bread and butter issues such as income, fertility, and agricultural output. The nurturing of leaders who can address increasingly complex development tasks is a continuing responsibility of African education. In addition, the stock of human capital in Africa will determine whether Africans can harness the universal explosion of scientific and technical knowledge for the region's benefit.

For example, more and more African countries are seeking to exploit the private enterprise potential in their economies. This is a step in the right direction, because private enterprise can be a strong stimulus to economic growth and development. Major companies involved in doing business in Africa stress that two fundamental factors govern an investment decision in a country: first, the existence of a literate and skilled work force and, second, the availability and application of modern technology. Obviously, neither of these criteria can be met without a strong educational system.

The Crisis in African Education

Many African governments have responded to the crisis in their economies by undertaking difficult and sometimes politically risky programs of structural adjustment. The World Bank and the donor

community are supporting these governments. One of the most effective ways in which we can ensure that adjustment will be successful is to protect and nurture Africa's human resource base during the process. Supporting adequate education programs is absolutely central to sustaining Africa's human resources and, in the long run, those resources will sustain Africa.

Since their independence, the Sub-Saharan countries have invested heavily in education, and substantial progress has definitely been made. The estimated average educational attainment of working-age men and women in Africa increased from less than half a year in 1960 to more than three years in the early 1980s. The average adult literacy rate rose from about 9 to 42 percent. Recent years have, however, witnessed stagnating enrollment in many countries, continued high per-student costs, growing numbers of educated persons among the unemployed, and a widespread perception that the financing of postsecondary education is highly inequitable. These problems have occurred in an external environment that shows massive demographic pressures, the prospect that an increasing proportion of children will enter school malnourished or ill, the near inevitability of long-term fiscal austerity, and often the general uncertainty that accompanies political unrest and government instability.

Moreover, the problems that beset education are not limited to quantitative issues. In many cases, the quality of education is falling, in part as a result of past rapid enrollment growth. Classes have become intolerably crowded, especially in urban areas. The proportion of trained teachers is insufficient. Books and other physical resources are in woefully short supply. Education ministries are unable to provide sufficient supervisory services to maintain quality. In short, education, like so many other sectors in Africa, is at a crisis point—and governments have some tough decisions to make.

The Bank's Response

The World Bank's policy paper on education is an integral part of the international effort to help African governments respond to the crisis in education. Its central message is that, for many African countries, profound policy adjustments are necessary to improve the efficiency and cost-effectiveness of their education systems. The

paper recognizes that educational strategies need to be tailored to the circumstances of individual countries, and it is careful to offer policies only as a framework for individual national programs. The Bank is eager to work with governments that have made, or are willing to make, the adjustments necessary to revitalize and selectively expand their education systems. Furthermore, the Bank will take a lead role in encouraging the donor community to collaborate with African governments to support more effective, better coordinated, and increased programs of financial assistance.

The Bank's own commitment to education remains strong. Our current portfolio contains 44 education projects for which we have lent about one billion dollars; our five-year lending program for fiscal 1988 through fiscal 1992 includes a further 67 projects for about 1.6 billion dollars. The Bank also plans to undertake policy-based education sector lending in about 25 countries. As African governments design and implement these programs, we would welcome the opportunity to collaborate with the international donor community to conduct sectoral analysis and to provide financing for adjustment and revitalization operations.

In responding to the problems Sub-Saharan Africa faces in education, the Bank has four major objectives:

- To strengthen the planning and management capacities of institutions dealing with education and human resource development
- To improve the quality of general education, mainly by strengthening teacher training and the supply of pedagogical materials
- To improve the relevance of education and training systems to the economic needs of countries, essentially by financing investments in human resource development in specialized fields such as general managers, financial analysts, accountants, economists, engineers, and agricultural technicians
- To help governments increase the overall cost-effectiveness of their education systems. In particular, the Bank believes that savings generated from lowered unit costs, from increased cost sharing, and from increased tolerance of private provision of educational services can be used to help fund the necessary revitalization and expansion of the education sector in Africa.

Donors' Role in African Education

The education policy paper makes a number of specific recommendations for donor cooperation and assistance. The paper suggests that to support the design of country-specific programs encompassing measures of adjustment, rehabilitation, and expansion, the donor community should offer three related kinds of support:

- Funds to cover the direct costs of program design, including the technical staff and consultants required for the national task forces or commissions established to carry out the work
- Funds to support the exchange of experience among African countries grappling with common issues
- Funds or seconded staff to establish a pool of technical expertise in Africa, which could, upon request, assist the national task forces or commissions.

To support the implementation of properly phased programs, the donor community should be willing to offer increased amounts of aid on a more flexible basis and should be prepared to sustain the effort over a longer period. To maximize the impact of their aid, donors should support and encourage appropriate efforts by governments to coordinate aid flows through such mechanisms as round tables or consultative group meetings.

If Africa's education services continue to deteriorate, it will become all the more difficult to solve the region's other economic and social problems. The critical role that the donor community has played in the education sector in the past places a particular burden on our shoulders, but it also provides us with a special opportunity to assist African governments that choose to meet adjustment challenges. Addressing the issues of stagnation and low quality in African education will require policy adjustments—but they will also require additional resources. Indeed, the first will not be obtainable without the second. And so the responsibility for making a meaningful improvement in African education lies with both African governments and the donor community. Partnership is essential for success.

The Challenge of Capacity Building

Capacity Building: The Missing Link

During the last three decades, I have seen the emphases in development strategies come and go. These different approaches to African development have all lacked one essential ingredient: they did not incorporate as a central feature the building of indigenous African capacities: skills, knowledge, and institutions. Capacity building has been the missing link.

The World Bank's long-term perspective study on Sub-Saharan Africa (*Sub-Saharan Africa: From Crisis to Sustainable Growth*, 1989) underscored this weakness and noted that human and institutional capacity is lacking in virtually all sectors and countries. The study called for a radical reappraisal of technical assistance strategies for Africa and for substantially increased investment in *indigenous* human capital and institutions. The African Capacity Building Initiative (ACBI) offers one of the first opportunities to make a direct response to this challenge.

The Experience of Other Regions

The experience of other parts of the world clearly shows a gradual buildup of their own capacities. Despite political ups and downs, these regions have managed to invest consistently in their human capital and institutions. As a result, they have been able to exercise more control over economic events. Donors supported this kind of capacity building in other regions through substantial and long-term investment strategies.

An address to the donors' meeting on the African Capacity Building Initiative (ACBI), June 5, 1990, Paris, France.

But Africa has been treated differently—and has suffered as a result. In Africa, it has been a case of "crisis management" all along and, with few exceptions, a "crisis response" by donors through short-term, single-shot technical assistance projects.

Can we really be satisfied that recorded technical assistance to Sub-Saharan Africa has increased by 50 percent since the mid-1980s and now stands at around $4 billion a year? Can we accept the presence of 100,000 expatriate technical advisors in the region—a larger number than at independence? The trends are going in the *wrong* direction—and they are frightening! Let me be blunt: if local capacities are not built and sustained in Africa, there is no chance that the continent will develop as it should and as it must if it is to make it in the next century.

Why Policy Analysis and Development Management?

The donor community is, of course, already working on capacity building in different ways—through projects in human resource development, agriculture, education, health, the environment, and so on. All these efforts are important, and they should be continued and intensified. But they are not enough.

In particular, a vital gap is not being adequately filled: capacity in policy analysis and development management. Despite the achievements in education and training in Africa during the past 30 years, most countries still do not have a critical mass of top-flight policy analysts and economic managers who can help pilot their governments through the economic storms and turbulence that must be faced day in and day out.

During the past two years or so, we have held extensive discussions with Africans and with donors about the thrust of a new capacity building effort. The consensus is that policy analysis and development management is the most obvious gap and should be the fulcrum of any new initiative. Rigorous policy analysis allied with professional economic management will support progress in every other sector. There is a natural interface. While the focus of this initiative, therefore, is sharply defined, its impact will be broad and deep.

Capacities in policy analysis and management are vital to the adjustment process in Africa, a process that has picked up increasing momentum to the point where some 30 countries are now involved. But these capacities go beyond adjustment. They are at the very heart of the development process: to identify change, analyze it, respond to it, and manage it. With these capacities, countries are much more likely to assume ownership of their development policies and more likely to demonstrate commitment to their implementation and success.

Demand . . .

The precise need for capacities in policy analysis and economic management varies from country to country. Ghana, for example, has produced large numbers of trained analysts and managers—although many of them are no longer in the country. The same is largely true of the Sudan. The needs of Nigeria are not the same as those of Togo. Côte d'Ivoire's needs are not identical to Zambia's.

In some countries there are pockets of trained people, although we must be careful not to equate numbers of graduates with highly skilled analysts and managers, for they are not the same thing. But even in those countries in which there are small groups of trained people or institutions, they are often not utilized—or are badly utilized—by their governments.

We know the main reasons for this: sound policy analysis and management can pose a threat to insecure regimes and to vested interests that feed on inefficiencies and mismanagement. There is no question that the impulse toward economic reform and adjustment has helped to stimulate the latent demand for policy analysis and management skills in Africa. The growing pressure on African governments for increased accountability and transparency—for better governance—will also help to stimulate demand. But while these indications are encouraging, there is no question that a demand issue remains.

If, however, a critical mass of first-class policy analysts, economic managers, and independent institutions can be created over a sustained period, their influence will eventually begin to make an impact—and will contribute to an improved environment for sound analysis and management.

Besides, what is the alternative? Not to try to build these capacities and to stand by while Africa becomes further marginalized and falls further behind the rest of the world? That is unacceptable. There is a demand issue, but we should not allow it to mesmerize us into a state of inaction.

. . . and Supply

While recognizing the past weaknesses in demand, let us not forget the shortcomings in the supply, particularly the donor supply. Donors have made many worthy efforts over the years. These efforts are to be applauded. But we also must acknowledge our inadequacies in this area—and I include the World Bank here.

Can we really take satisfaction from the quality and consistency of our attempts to build policy and management capacities in Sub-Saharan Africa? Can we continue with our business-as-usual approaches although we know they have not worked in the past? Can we honestly say that our strategies have taken account of African needs and priorities, have been coordinated and complementary to other donor efforts, and have been sustainable? Can we even say that our strategies have been cost effective? The record suggests that the time has come for a change.

It is not just a question of throwing in a few more capacity building projects or a little more money to hire a local consultant to work with external experts. A fundamental change in attitude is required. Are donors ready to allow real African input into their approaches? Are they prepared to be less paternalistic—as they already are in other regions? Are they willing to coordinate and prioritize—at the expense of a contract or a procurement deal? Make no mistake about it: building capacity is an acid test for donors as well as Africans.

Major Features of the ACBI

The ACBI is aimed at addressing the problems of the past and helping Africa to achieve success in the future. It is based on several premises.

First, it is a *framework* within which a flexible, evolutionary approach can be adopted. The ACBI will not impose anything on anybody. It

does not seek to remake the world. Rather, the initiative is intended to build upon current best practices and supplement or complement those practices as needed. Within the ACBI framework, donors will have the flexibility to continue with their own programs, but will have them strengthened by incremental ACBI operations. Donors and Africans will be full partners in that decisionmaking process.

A second major principle guiding the ACBI is the clear need for improved *coordination* among donors. As things stand, donor programs are often uncoordinated, sometimes duplicative, and occasionally contradictory. There is a basic failure to communicate—on shared priorities, lessons learned, country experience, and so on. The result has been a tendency by individual donors to reinvent the wheel. The costs have been heavy—for donors and for Africans. The ACBI will address this by serving as a central coordinating mechanism for the international community, which would offer information, advice, and operational experience.

A third and very fundamental aspect of the ACBI is strong *African participation* and, indeed, leadership of the process. Again, this has been lacking in the past, with programs too often donor-driven and not grounded in African realities. Under the proposed ACBI framework, Africans will have a strong voice in program development. This dimension is a prerequisite for success.

A fourth major feature of the ACBI is its *comprehensive* approach. I have already emphasized that sound policy analysis and development management will have a positive impact on every other sector. Furthermore, the proposed action program takes a holistic approach and offers a menu that will benefit national institutions and regional centers, government units as well as private-sector bodies, and individuals as well as institutions. These program components are mutually reinforcing and particular emphases will be added according to individual country needs.

A fifth premise is that the initiative takes a long-term perspective and emphasizes *sustainability*. Africa has already suffered too much from donors succumbing to the latest fad and dropping their interest in a program long before any results have had a chance to emerge. Capacities cannot be created overnight. It is a long-term effort. The

time frame, therefore, is decades not years. But a start should be made now.

A final principle underlying this initiative is that it should start out *small* and, indeed, as a pilot program for four years. Its continuation will be contingent on its track record, which donors and Africans will monitor. The administrative structure is lean, with only a small executive board and secretariat. The intention is to avoid creating a large bureaucracy while ensuring proper control of, and participation in, the management of the ACBI.

The ACB Fund

The financial mechanisms for supporting the initiative are flexible —through cofinancing, associated programs, or through a direct contribution to the African Capacity Building Fund (ACB Fund). It is hoped that donors might use all three mechanisms simultaneously. I would like to emphasize, however, the importance of the fund itself.

We can all think of examples of programs aimed at international cooperation that have failed largely because they did not have their own financial power. The fund will give the ACBI this power and, in my view, it is fundamental to the initiative's success. By contributing directly to the fund, donors will demonstrate their commitment to capacity building in policy analysis and development management in Africa, their belief in a multilateral approach to the problem, and their willingness to empower the ACBI to coordinate the international community's actions in this sphere and to undertake necessary additional actions.

The proposed level of the fund is small: about $100 million—a tiny fraction of overall technical assistance budgets. But it will allow the ACBI to leverage additional resources and to make an immediate impact. The $100 million is meant to cover the four-year pilot phase of the initiative, at which time the need for additional resources—and the level—would be reviewed.

The Board of Executive Directors of the World Bank has already approved, in principle, a $15 million contribution to the fund. I would urge every donor to follow this lead and make a pledge to the best of

their abilities. These are tough times for squeezing additional resources out of government budgets, but we are talking about very small amounts of money here.

The Challenge of Capacity Building

This is a different kind of initiative for Africa. It is a framework that will *evolve*, not a precooked blueprint. It calls for a level of African participation and leadership perhaps unprecedented in any other international undertaking for Africa. And it asks donors to give up some control and to look to the long term. In short, the ACBI calls for a change in traditional attitudes to assistance for Africa. This is a tough challenge. But it is one that we must address.

The ultimate objective of the ACBI is clear: 10, 15, or 20 years from now, Sub-Saharan Africa will have its own groups of professional policy analysts and economic managers and its own institutions for training and advice in policy analysis and economic management. There will be much less dependence on external technical assistance. Africa will be more in control of its economic destiny.

Like trees, countries cannot be made to grow by being pulled upward from the outside. They must grow from within, from their roots. External support helps; indeed, it is vital. But development progress is organic and must, ultimately, come from within. The internal capacities have to be there for that to happen.

The world is becoming an increasingly difficult place for Africa to compete in. Technologies and markets are being revolutionized. To meet this challenge, Africa needs the right kinds of professionally excellent people and institutions. A technical assistance project will not do the job, nor will the short-term secondment of a foreign advisor. *Africa needs its own capacities*.

As I see it, capacity building is the most urgent development challenge facing Sub-Saharan Africa today. It is the challenge of the 1990s, the challenge of the decade. This initiative is a small but important step toward meeting that challenge.

The Debt Challenge: A Search for Solutions

Africa's Debt Crisis

Africa's debt crisis is more a symptom than a cause of Africa's development crisis. The debt crisis is but one facet of a more general crisis. Consequently, solutions to the debt crisis must be found on several fronts, with emphasis on measures not just to reduce debt itself, but to restore growth, alleviate poverty and, eventually, to build the capacity of African countries to pursue commercial relations with creditors in a context of strengthened country creditworthiness. This raises the issue of the links between structural adjustment, growth, and the eligibility of African countries for new money and debt reduction in varying combinations.

Another consideration is the multifaceted nature of this dual crisis of debt and development. To be sure, many African countries have similar sizes and kinds of debt constraints. But there is also considerable diversity. Some African countries do not need debt relief; indeed, for some, it would be counterproductive and would harm rather than help their creditworthiness and growth prospects. For others, their debt problem is mainly a "stock" problem, as measured by large arrears or large debt overhangs relative to GDP or exports. For others still, the problem is mainly one of cash flow, in which the issue is more one of liquidity than of solvency. And for many, their problems comprise a mixture of these elements, in varying degrees.

Thus, while it is useful to define a common position on Africa's debt crisis insofar as the problems are indeed shared, the diversity of situations calls for a case-by-case application of the various instruments

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An address to the International Seminar on the African Common Position on Africa's External Debt Crisis, Organization of African Unity, Cairo, Egypt, August 28, 1989.

available to relieve the debt constraint. Just as no single, orthodox formula for structural adjustment to accelerate economic growth and restore social progress is universally applicable to all countries, so too no single formula for solving the debt crisis can be universally applicable across Africa. A "menu" of solutions is required.

Recent Progress

In 1988–89, we witnessed a growing recognition and consensus among donor and creditor governments and institutions that Sub-Saharan Africa's situation—including its debt burden—needs to be addressed with exceptional measures. Not everyone realizes just how far we have come in terms of measures currently being put in place.

At a meeting in Paris in December 1987, the World Bank, other multilateral agencies, and bilateral donors launched a Special Program of Assistance (SPA), aimed at easing the debt constraint and increasing growth among the low-income African countries during 1988–90. Under this SPA framework, considerable progress has been made. To be eligible for the SPA, countries must be in the low-income category (eligible for IDA credits but not for IBRD loans), be debt-distressed (with annual debt service obligations projected at 30 percent or more of exports), and be implementing an economic reform program supported by the World Bank or the IMF.

By mid-1989, 22 countries (with 1987 debt totaling $46.4 billion) had been declared eligible for the SPA. The program has five main elements now in place:

- *Increased IDA lending.* About 50 percent of the $12.4 billion available under IDA's eighth replenishment (1988–90) is going to Sub-Saharan Africa.
- *Increased cofinancing.* Bilateral donors pledged $6.4 billion in concessional assistance to supplement IDA aid, about half of it estimated to be in addition to amounts previously planned.
- *IDA supplement.* Supplemental IDA adjustment credits, drawn from the repayment of earlier IDA credits and IDA's investment income, were added to the package in September 1988 (to be used to draw down higher-interest rate IBRD debt).

- *IMF programs.* The IMF created two new facilities for low-income countries around the world—the Structural Adjustment Facility (SAF) in March 1986 and the Enhanced Structural Adjustment Facility (ESAF) in December 1987.
- *Debt relief.* The final pillar of the SPA is debt relief, involving both concessional and nonconcessional debt. The World Bank has vigorously encouraged donors and creditor institutions not only to increase the flows of new money, but also to encourage various forms of debt service relief and debt reduction.

Debt Relief

Bilateral donors converted about $1.8 billion of Sub-Saharan African concessional debt to grants (in other words, forgave it) during 1978–86. The SPA calls for more such debt-forgiveness. In 1988 Canada, The Federal Republic of Germany, and Japan moved to convert more of their ODA loans to grants. In May 1989 France announced plans to cancel, beginning in 1990, debt service on about $2.5 billion worth of official debts owed by the poorest African countries. The United States also announced a program to forgive about $1 billion of concessional debts owed by 23 Sub-Saharan African countries. The USSR indicated its intent to grant a 100–year debt moratorium to countries of Sub-Saharan Africa.

At their economic summit in Toronto in June 1988, the heads of seven leading industrial countries agreed to a menu of options to reduce the burden of official nonconcessional debt owed to them by low-income African countries. The options, among which each creditor agreed to choose "within a framework of comparability," were: to forgive one-third of debt service due, to reschedule for longer periods (25 years instead of the usual 18), or to reschedule at lower interest rates. The Toronto agreement was made final at the Annual Meetings of the Bank and Fund in Berlin in September 1988.

By mid-1989 the Paris Club, which handles much of the rescheduling of official debt, had applied the Toronto menu to 12 African countries: Benin, Central African Republic, Guinea, Madagascar, Mali, Mauritania, Niger, Senegal, Tanzania, Togo, Uganda, and Zaire. The impact of the Toronto agreement will be relatively small

in the next few years, but the potential savings could become much larger as more debt service is rescheduled on these terms in the future. According to a World Bank analysis, if these options were applied to all 22 SPA countries through the year 2000, their total stock of bilateral, official, and nonconcessional debt at the end of that period would be about 7 percent lower than if past Paris Club rescheduling terms were continued. The additional saving in debt service for the 22 countries combined would average only about $100 million a year in the early 1990s—but would rise to a more substantial $400 million a year early in the next century.

Meanwhile, the World Bank has launched a facility to help IDA-only countries reduce the burden of their commercial debt that is not guaranteed by creditor governments. Financed by $100 million from IBRD 1989 net income, the program is expected mainly to provide grants to help countries that meet eligibility criteria buy back such debt at substantial discounts.

The Middle-Income Problem

There is so far no special program for Sub-Saharan Africa's middle-income countries. Their economic circumstances vary widely. Some export oil and some import it. Some appear able to service their debts comfortably, whereas others have amassed significant debt arrears or are having great difficulty in keeping current, notwithstanding rescheduling. Two African countries, Côte d'Ivoire and Nigeria, are among the 17 highly indebted "Baker Plan" countries on which the international community's debt strategy of recent years has focused. Some other middle-income countries in the region have ratios of debt and debt service to exports ranking with the average for the 17 highly indebted group. But their GNP per capita is a third that of the average for the 17, their export possibilities are more limited, their imports have been compressed more, and nonguaranteed commercial bank debt often is an important part of their debt burden.

To deal with the problem of private debt, U.S. Treasury Secretary Nicholas Brady, in March 1989, called for continued economic reforms by debtor countries, reduction in debt and debt service by commercial banks, support for debt reduction by the Bretton Woods

institutions, and regulatory changes by creditor nations. Following up on this Brady initiative, in June 1989 the World Bank announced guidelines for IBRD loans, which eligible countries in Africa or elsewhere can use for reducing their commercial debt and debt service or for credit-enhancement programs. These are expected to be accompanied by parallel assistance from the IMF. To be eligible for this Bank support, countries must have large external debt burdens and must have adopted meaningful adjustment programs. Amounts set aside for debt reduction will be determined on a case-by-case basis, but will involve around 25 percent of a country's adjustment lending program over a three-year period, or around 10 percent of its overall lending program where the World Bank is concentrating its support on investment operations and where the country has an acceptable medium-term economic policy framework. Where justified, additional resources of up to 15 percent of the Bank's overall three-year lending programs for individual countries might also be made available for debt and debt service reduction.

In fact, the middle-income countries in Africa face long-term development problems not significantly different from the low-income countries. Indeed, when the correction of overvalued currencies—as in Nigeria, for example—places some of these countries in the low-income category, consideration should be given to applying the same debt relief measures to them as were applied to the low-income African countries, provided they are willing to implement adjustment programs.

Other Proposals

Beyond these initiatives, other proposals have been made to provide long-term relief on debt from official as well as commercial sources. Among these is a proposal from the African Development Bank (jointly with S. G. Warburg of London), which suggests a securitization plan whereby short- and medium-term claims are exchanged for longer-term bonds of the same face value, payable only at maturity and carrying a lower interest rate. During 1988–89 proposals were also made to relieve the pressure on foreign exchange resources by swapping local assets—physical or financial—for debts. Nigeria converted close to $100 million (as of May 1989) of its promissory notes into Nigerian naira and received applications for conversion of close

to $1.6 billion. The simplest form of swap—debt for equity—has limited application in Africa because of the lack of perceived investment opportunities and of developed markets for financial instruments.

Other new and innovative forms of debt conversions are, however, being explored. For example, several debt-for-nature swaps have taken place, and others are being proposed. Usually, debt is exchanged for local currency or local bonds to be held by local environmental organizations. Alternatively, official debt relief is tied to support for environmental actions. The first debt-for-nature swap was an arrangement in July 1987 aimed at protecting Bolivia's tropical rainforest. This approach can be broadened to cover any form of debt-for-development arrangement. For example, in December 1988 the Midland Bank donated to UNICEF its holding of Sudanese debt ($800,000), which the Sudanese government redeemed in local currency to be applied to a water, reforestation and health program.

As a general principle, debt relief should be given only to countries that are both debt-distressed and willing to adopt reforms to improve their capacity for growth and future debt service. To truly benefit debtor countries, special finance for debt relief or concessional debt rescheduling should be genuinely additional and not be taken out of the aid budgets already allocated to a beneficiary country. In countries with severe problems of arrears, bridge financing may be needed to make use of debt relief facilities.

Africa's debts, although devastating for Africa, are relatively minor for the creditors in relation to global debts. The kind of debt write-downs arranged with commercial banks for large Latin American countries are not, therefore, likely to be offered to Africa—and in some respects are not relevant to Africa. For most African countries, the predominant problem is official debt. Although the Toronto arrangements are in the right direction in this regard, more far-reaching relief is needed.

Looking Ahead: Beyond the Debt Crisis

One overall conclusion to be drawn from this review of actions on the debt front is that considerable progress has been made in recent years. These positive steps in the right direction may be seen as an

appropriate, albeit not yet sufficient response to the courageous actions being taken by a growing number of African policymakers in pursuit of economic reform programs. Especially for the low-income, debt-distressed African countries pursuing adjustment programs, the combination of additional new, quick-disbursing concessional aid and debt relief measures has greatly helped to alleviate the extent to which the availability of foreign exchange constrains their economic development. And in several of these countries some positive supply responses are emerging.

This is not to say, however, that the African debt problem is not still very serious. There is still a very long way to go in achieving lasting solutions across the continent in terms of broadening, deepening, and sustaining the adjustment-with-equity process under way in Africa and of ensuring that these reform programs are adequately financed. The combination of new monies and debt relief measures now in hand is sufficient for only a subset of low-income countries. And especially as additional countries adopt—or readopt—adjustment programs that will render them eligible for the various forms of financial assistance, the financing gap for Africa in the near-term will grow.

The World Bank will be pressing hard as the advocate of the adjusting countries to ensure adequate new official flows, increased private capital flows, and the search for new and better ways to effect debt relief.

The Challenge of African Agriculture and the Role of SPAAR

A Personal Perspective

I am not an agriculturist nor a technical expert in African agriculture—so I come to the Special Program for African Agricultural Research (SPAAR) with a certain sense of humility. I have few answers—but lots of questions.

I want to know why the plant genetics revolution of the past several decades has seemingly bypassed Africa. I want to know why there are not more suitable tools for improving farmer productivity.

I want to know how Africa is going to benefit from, and stay abreast of, the opportunities now being taken by its competitors in biotechnology, and why Brazilians, Malaysians, and others have been able to capture so many of Africa's customers—for cocoa, peanuts, palm oil, bananas, rubber, sisal, and so on. I want to know whether the institutional structures are moving with the times.

And I want to know why we have not done a better job in solving the major problems that continue to plague African agriculture:

- The low levels of efficiency and productivity
- The lack of application of new technologies
- The failure to make the kind of breakthroughs in research that have revolutionized agriculture in other parts of the world.

Africa's agriculture desperately needs the same kind of modernization because, as we know so well, Africa's development is inextricably linked to its progress in agriculture. This, in turn, is linked to the

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An address on being elected Chairman of SPAAR, Brussels, Belgium, May 16, 1990.

development and transfer of knowledge about African agriculture —which brings me back to SPAAR. The opportunity to tackle these issues, and the potential to make a difference, is what I find so exciting about SPAAR.

The Challenges of African Agriculture

The task facing African agriculture in the 1990s and beyond is formidable—and cannot be underestimated. It must cope with the needs of a population growing faster than ever seen anytime, anywhere in human history. It must achieve sufficient growth in food crops to reduce hunger and to lower food imports. In the process, it must be a major employer of Africa's growing labor force, and its exports must compete on world markets to earn the foreign exchange that Africa needs to fuel its economic growth. And it must do all that while reversing the degradation of natural resources that threatens long-term sustainability.

Indeed, this nexus of issues—the modernization of agriculture, the pressure of population, and the degradation of the environment—constitutes perhaps the single most important threat to African development during the next century. If African agriculture is not made more productive and competitive, if population growth is not slowed, and if the destruction of the environment is not reversed —and, I repeat, these three issues are closely interlinked—then Africa's future is bleak.

I refuse to accept this as an inevitability. Agricultural research has an important part to play in ensuring that it does not become one.

The Role of Research

During the past several years, as country after country in Africa has adopted more sensible economic policies, we have begun to see signs of improvement in agriculture. The growth rate in agriculture during the past seven years, for example, has been double that of the previous seven. Clearly, the right kinds of policies—ones that give farmers incentives and fair prices and that allow them to compete freely in markets—have helped to bring that about.

These kinds of policy changes must continue. But they must be underpinned by increased investment in the agricultural sector (in rural infrastructure, for example) and by increased research. There is some momentum now on the policy side, with about 30 countries engaged in structural adjustment. But we also need the scientists and the researchers to come up with new technologies. Better technology is essential if even the minimum necessary growth in African agricultural production (4–5 percent) is to be achieved.

There is no question that the slow development of new agricultural technology in the past two decades reflects the decline in the quality of agricultural research in Africa. In the first 60 years of this century agricultural research—often rudimentary and carried out by just a few scientists—contributed greatly to African farming. It enabled cocoa, rubber, mangoes, tea, citrus, and maize to be introduced to African farmers—as well as fertilizer and new agricultural implements and equipment. Weak government commitment and poor management, rather than a lack of money, have caused the current decline. In many African countries, more researchers than before are spending more money—but with little to show for it.

Donor-financed projects have often not helped. More has been spent on agricultural research in Sub-Saharan Africa per farmer than elsewhere in the developing world—a total of about $360 million in 1980, the most recent year for which data are available—compared with roughly $190 million in South Asia—but there is less to show for it. Clearly, the international agricultural research effort devoted to Africa, particularly in technology improvement, must be strengthened.

But international research will have an impact only if it is adapted to local conditions. Research must be relevant, and it must provide real solutions to farmers' problems. The fact is that the success rate of new varieties of crops introduced into Africa during the past 30 years should have been better. Varieties that often did well on research stations—where soil, management, and water availability were good—did not thrive under real-life farm conditions.

Coming up with more relevant, more effective research will require several ingredients:

- Involving farmers in the research process and responding to their needs
- Building the capacities of African governments, research institutions, agricultural faculties, and extension services to undertake and implement indigenous programs
- Strengthening donor coordination, avoiding duplication, and increasing the dissemination of information and research findings.

The Role of SPAAR: *The Vision*

Clearly, SPAAR has begun to work toward these goals. But I see the potential for so much more. To realize that potential will require the commitment of the governments and other institutions involved in SPAAR—commitment to devote time and energy to African agricultural research and, when necessary, real resources.

The donor community is already making this kind of committed, joint effort in several areas in Africa, most notably in supporting the policy reform process and in addressing Africa's debt burden. Through a Special Program of Assistance (SPA), created in 1987 under World Bank leadership, donors were persuaded that these issues were so important that it was worth putting self-interest aside and pooling our resources for Africa. The result, during the first three-year phase of the SPA, was a pool of resources totaling about $6.5 billion. The SPA has been so effective that donors want to continue and expand it for another three years.

Why could the same sort of approach not be taken to agricultural research in Africa? And why could not SPAAR play the leading role in coordinating this effort?

In the end, it will be the African people—their hands working their lands—who will achieve Africa's agricultural modernization. But I also see a major role for SPAAR.

SPAAR should be the point of *consensus* for the donor community's effort in African agricultural research—and the *catalyst* that brings together the African farmers and African scientists with the very best in international science and research. There is much to be done. I look forward to making a start here and now.

The Challenge of Regional Economic Integration

Two Imperatives: Adjustment and Integration

Two urgent imperatives face the countries of the Southern African Development Coordination Conference (SADCC)[1]—and the countries of all of Sub-Saharan Africa. The first imperative is for governments of the region to adjust their policy frameworks, get their economies back on a growth track, make them as efficient and productive as possible, and liberate the vast entrepreneurial potential of their people. We all know that Africa faces deep-seated problems: extremely difficult markets for primary producers, underdeveloped human resource potential, and inadequate infrastructure. There is no question that these problems have been made worse by a hostile world economy. But the problems have also been exacerbated by inappropriate domestic policies leading to, in many cases, a waste of scarce resources. Policy reform is, therefore, absolutely fundamental to Africa's economic recovery and to the achievement of long-term sustainable growth. The experiences of the past decade have been painful, but there does appear to be a window of opportunity for substantially improving and harmonizing economic policies in Africa.

There is also an urgent need for increased economic cooperation and, eventually, integration of Africa economies. Whether in the area of food security or industrialization, trade, transportation, or communications, regional economic cooperation is necessary for the development and, indeed, the survival of every African country. Africa will fall further and further behind without economic cooperation. Why? Because Africa is the most subdivided continent

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An address to the Eighth Annual Consultative Conference of the Southern African Development Coordination Conference (SADCC), Arusha, Tanzania, January 28, 1988.

1. SADCC membership includes Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, and Zimbabwe.

with 165 borders demarcating the region into 51 countries; 22 of which have a population of 5 million or less, and 11 of which have a population of under 1 million. The limitations of size in the development struggle are very real.

Economic integration is also important because African countries confront similar economic problems that place them in direct competition with each other for foreign resources and markets. Thus the coordination of economic policies and regional development projects offer opportunities for faster growth by exploiting synergies and gaining from trade while realizing economies of scale. Agriculture and food security are obvious areas for increased cooperation. Regional grain marketing and drought early-warning systems, for example, would benefit virtually all African states. Substantial savings could also be made through more regional cooperation on education and training programs and institutions.

African leaders have obviously recognized the potential value of economic cooperation. In numerous fora—the Addis Ababa Economic Summit of 1987 and the UN Special Session in 1986—African governments have accorded a key role to regional economic integration. They realize that in the face of the severe crisis that Sub-Saharan Africa is facing—declining per capita income and consumption levels, food shortages, contracting export earnings, and declining foreign investment flows—their countries can no longer afford to forego the benefits of regional cooperation and economic integration.

These benefits, which have the potential to be very substantial, include a larger economic base and larger markets, which will prove more attractive to domestic as well as foreign investors; more efficient use of scarce financial and skilled human resources; greater flexibility in resource use and planning in such matters as appropriate location of industries; lower national overhead costs per capita and probably a faster GDP growth rate than the sum total of individual national efforts; increased bargaining strength of the regional entity involved; and more safeguards against the exploitation of small countries.

Many obstacles stand in the way of economic integration. First, there is history. Although Africa has probably made more attempts at cooperation than any other region of the world, these efforts have

not, by and large, been very successful. Among the barriers to economic cooperation have been political resistance because of ideological differences and disputes about sharing expected benefits. Then again, the policies of national governments have been excessively inward-looking, which has created inefficient production structures and has discriminated against other African producers as well as overseas competition. Another factor has been the overreliance on large bureaucracies instead of on a framework that would allow the private sector of individual countries to respond to market signals. In this respect, there has been too little effort to get traders, manufacturers, farmers, and business people to participate in the process of cooperation and to establish commercial links among themselves.

The result of all this? Not nearly enough trade within Africa; markets that are too small; inefficient, unofficial cross-border exchanges; costly excess industrial capacity in many countries; growing dependence on non-African sources for food; and increasing unemployment and poverty—in short, a severe lack of economic development.

Regional cooperation should not be portrayed as a panacea nor an economic utopia. It involves costs as well as benefits for participants, and these must be recognized and dealt with equitably. Cooperation is not always easy. But the longer it is delayed, the more short-term vested interests will become entrenched and the more obstacles and hindrances to long-term economic growth will persist.

The SADCC Example

Fortunately, there is already a functioning example of how regional cooperation in Africa might work: SADCC. Taken individually, the nine SADCC states are poor. Three have per capita incomes of less than $250 and none exceeds $900. The bulk of the population in the SADCC states consists of subsistence farmers. All the SADCC states produce mainly primary products; most are "price takers" in world markets, and several depend on one principal export commodity and thus are vulnerable to world market swings. But although individually poor, taken together, the SADCC states are a significant unit—with about 70 million people, a combined GDP of about $30 billion, and international trade of more than $12 billion. By exploiting the com-

parative advantages of the individual states, it is possible to develop the region in a balanced and mutually reinforcing way.

SADCC is still very young and has a long way to go before fully realizing the benefits of its attempt at economic integration. Trade within the region, for example, currently represents only about 5 percent of the total exports of SADCC countries and only 4.4 percent of imports. These figures indicate that more needs to be done to harmonize trade regimes and to price foreign exchange realistically. Moreover, we can all think of missed opportunities for even further collaboration among countries of the region on various enterprises. However, SADCC has already achieved some substantial successes at several broad levels.

First, in terms of specific projects, SADCC has made good progress in implementing its Programme of Action, which includes some 500 regionally important projects. Through these projects, SADCC is helping to improve the supply of goods and services to the people of the region.

SADCC's second broad and important achievement is the nurturing of a regional identity. A feeling of unity is emerging among the nine member states. More and more, people in different parts of the region—government officials, business people, and farmers—talk about "Tanzania and SADCC" or "Botswana and SADCC" or "Angola and SADCC." The country and the region. This incipient "think SADCC" ethic should not be underestimated. For if there is no faith and trust among the cooperating parties, even if there are tangible projects, then the regional development process will not succeed over the long term. Furthermore, the SADCC philosophy encourages adopting of positive outward-looking policies by setting the stage for removing the discriminatory trade barriers between countries that hinder regional growth and development.

A third major gauge of SADCC's success is one that, as a donor and partner in the region's development effort, the World Bank is acutely conscious of: SADCC's ability to garner international support. SADCC has been ahead of the rest of Africa in this respect. Right from the start, one of its objectives was securing support from the international community. That support has been forthcoming because donors

have seen that SADCC is not just another pipedream of bureaucrats or academics. SADCC has avoided the pitfall of setting up a huge bureaucracy for its work. Instead, it has concentrated on using existing institutions in member countries to design and implement concrete regional projects. It has raised money and has proved that it can cooperate in a way that minimizes conflict and maximizes practical results.

It is no coincidence that SADCC is the first African regional group to have signed a region-to-region investment and technological accord with the Nordic nations. The EEC has also signed a region-to-region accord with SADCC—its first with any regional group of the ACP states. There is no doubt about it: in its dealings with southern Africa, the international community has also come increasingly to "think SADCC."

Finally, SADCC should be commended for fostering cooperation within the private sector. The 1987 SADCC annual meeting in Gabarone brought regional officials together with 200 local and foreign business people to discuss the role of private enterprise in SADCC's Programme of Action. Promoting the development of private enterprise is not a matter of ideological preference. It is sound policy. A growing private sector providing a more diverse array of products and services can be a formidable force for development. Opening economies to more local entrepreneurship also provides increased opportunities for women, who in many African societies have a long tradition of commercial activity. Many countries have learned from experience that there are limits to efficient public sector intervention, and they perceive an enhanced role for the private sector as being a necessity rather than a threat. Consequently, there is now in Africa more demand for foreign investment and a recognition of the need for the capital, technology, and employment that investors from industrial countries can bring.

In this context, the International Finance Corporation (IFC), the World Bank's affiliate, continues to actively support private sector development in Africa. Two recent IFC initiatives are the Africa Project Development Facility, which provides technical assistance to small- and medium-size businesses, and the African Management

Services Company, which helps to find qualified senior executives from around the world to work with African companies, to help train local managers, and to provide support and backup services to these companies. An Africa Enterprise Fund of $60 million to finance projects is also being launched.

The Policy Dimension

It is clear that the ultimate achievement of regional economic integration will rest on several fundamental factors. First, of course, integration will require the necessary political support at the highest levels. African governments must be prepared and willing to confront national pressure groups and lobbies that seek to hold back the economic liberalization that is a key to growth and successful economic cooperation.

Second, successful economic integration will be contingent on implementing policies that elicit the correct response from markets and that will boost regional production and demand. To strengthen that response, policy and institutional frameworks have to be put in place that facilitate the free flow of goods and factors of production within Sub-Saharan Africa.

But even with the appropriate policy frameworks in place, physical bottlenecks and inadequate levels of trained human capital mean that economic integration in Sub-Saharan Africa can proceed only slowly. To accelerate the process, it will be necessary to continue to maintain a parallel focus on specific infrastructure, enterprise, and training projects. The SADCC region is to be commended on the good start it has made in this area. The implementation of the various transport corridor operations have been particularly beneficial.

The Donor Response

A further critical element necessary for successful economic integration is adequate financial support from the international donor community. As African governments know only too well, this is an extremely difficult time to mobilize external assistance. But this only makes economic integration more urgent, because it would allow

Africa to depend much less on external support. So action plans for integration at the national, regional, and international level should be drawn up as quickly as possible.

The World Bank will continue to play a leading role in mobilizing the donor community to provide the resources necessary to restore growth and facilitate economic integration in Sub-Saharan Africa. Through SADCC, the donor community has already shown that it is willing to support African efforts at economic cooperation. The combination of a continued movement toward appropriate policy frameworks, together with further well-directed projects—in areas as diverse as regional investment promotion and AIDS research and prevention—will attract technical and financial support from multilateral and bilateral agencies. The message is clear: only through cooperation will there be a convergence between Africa's vast resources and its great needs.

The Challenge of Good Governance

The Bank and Governance

The World Bank raised the issue of governance for the first time—at least in an official way—in our long-term perspective study on Africa which was published in late 1989 (*Sub-Saharan Africa: From Crisis to Sustainable Growth*). The study happened to be published just before the Berlin Wall came down and just as a wave of political unrest broke out in Africa. This caused the question of governance to be highlighted and for many to think that the World Bank, finally, had entered the political fray. *Well, they were wrong!*

The World Bank remains a non-political institution. Unlike the European Bank for Reconstruction and Development (*the EBRD*), *the IBRD* does not link its financial assistance to the establishment of democratic structures or multiparty systems. Our interest is, first and last, economic development—improving the quality of people's lives. And our interest in governance is only as a *means* to that *end*.

Definition

There is a good deal of confusion about what "governance" means. Different people mean different things by it—depending on their cultural, historical and ideological viewpoints. From a general perspective, it seems to me that governance might be usefully defined as the use of political authority and exercise of control over a society and the management of its resources. From a *development perspective* in particular, I would argue that governance can be usefully defined as the efficiency and effectiveness of a government in promoting the economic well-being of its people. This is what the World Bank means when it speaks of governance—NOT the nature and form of a government.

Remarks to the Seminar on "Governance and Economic Development in Sub-Saharan Africa", Saly, Senegal, February 6–8, 1991.

The key question, of course, is how to identify the linkages between governance and economic development. I know that you have been discussing this issue and I am eager to hear your views. You are closer to the problems, you live with them every day. What are the key links between government activity and economic development? Is it the *economic competence* of government to respond to the expressed needs of its people? Is it the *instruments* of government needed to promote development—institutions, policies and personnel? Is it the *vision* and development objectives of government—and how these compare with performance? Or is it the *effects* on government of external actors and factors—level of aid flows, debt, recession and so on?

Personally, I see these as at least some of the critical linkages between governance and economic development. Moreover, these are the kinds of linkages which the World Bank believes it can comment and act upon without infringing on a country's sovereignty or political prerogatives.

Criteria

But what criteria should we use to evaluate the economic competence, the instruments, the development vision, etc. of government?

I would argue that the major criterion must be *performance*—i.e. is economic development being achieved? Are people's lives being improved? If this is not happening—as indeed it is not in many parts of Africa—then something is wrong.

To help identify what is wrong—and as a means to help rectify the situation—the Bank has suggested several elements that are crucial to the effectiveness of a government in achieving development:

- *Accountability*: of government officials and the civil service for public funds.
- *Transparency*: in procedures, investment decisions contracts and appointments.
- *Predictability*: government and public institutions should not be capricious in their actions and behavior.
- *Openness*: there should be a reliable flow of the information necessary for economic activity and development to take place.

- *Rule of Law*: governments and institutions should be subject to rules and regulations which are understood by everyone in society.

Again, I would submit, these are all areas on which the Bank and other external donors can legitimately comment and act without stepping over the line of a country's sovereignty. The Bank can, and indeed has for a long time, addressed these "governance" issues through, for example, its public expenditure reviews, civil service and parastatal reform programs, support of private sector and non-governmental organizations, information dissemination, etc. In that respect, the Bank's attention to governance-related issues *is not new*. *What is new* is the awareness that we—and others—need to intensify our focus on these and other issues of governance.

Capacity Building

In addition to our traditional areas of emphasis, I believe that programs to build indigenous human and institutional capacities can be one of the most effective means of helping to promote good governance—and therefore sound economic development—in Africa. The training of economists, accountants, auditors and jurists, for example, can help countries build the capacities needed to ensure transparency, accountability, the rule of law and the other facilitators of good governance that I mentioned. The build-up of these kinds of human and institutional capacities will, over time, do more than anything else to create an environment conducive to good governance.

And the most crucial areas, in my view, are the fields of public policy analysis and development management. From the Bank's analysis, the dearth of local capacities in Africa to identify, respond to, and manage economic change has been one of the primary reasons for Africa's economic breakdown over the last 10 to 15 years. Other regions of the world had these capacities and fared far better as a result. Africa did not—and I believe we have to rectify that situation as a first order of business.

Africa has received enough external technical assistance—too much probably ($4 billion per year/100,000 expatriates). But the fact is that external technical assistance has failed dismally to produce results—the indigenous skills and institutions, the *capacities*, are not

there on the ground. And this goes a long way to explain the lack of good governance in Africa, the lack of economic competence, and—the bottom line—*the lack of development.*

ACBI

Over the past few years, the World Bank has been working with many concerned Africans and African institutions—as well as with our colleagues in the donor community—to try to develop a program that could attack this problem in a concerted and sustainable way. The result of our efforts is the African Capacity Building Foundation, for which the formal agreement will be signed here in Dakar on February 9, 1991, making it operational.

The African Capacity Building Foundation will focus initially on public policy analysis and development management: strengthening national and regional institutions; enhancing government and private sector capabilities; and supporting graduate and in-service training. The ultimate objective is to help Africa develop the kinds of high-quality skills and institutions it needs to respond to and manage economic change—the essential capacities that I referred to earlier.

I want to emphasize how unique this capacity building program is. It is the result of an extensive consultation process between donors and Africans. It will be managed, as I said, by a new and entirely independent Foundation. It will be headed by an African Executive Secretary. It will be based in Africa—in Harare as a matter of fact. And its funding of nearly $100 million has been pledged by a variety of donors, as well as by many participating African governments. *This is not simply a donor-driven program.*

As I said, the initial scope of the program is relatively narrow—policy analysis and management. But since these skills are at the very core of development, the impact of the Initiative will be very broad. Moreover, it will help improve coordination among donors in the field of technical assistance; strengthen African participation in the process; and build sustainable support for human resource development and institution-building in Africa.

We must not expect overnight success. We are all aware of the difficulties involved. In the past—and even today—many African govern-

ments have refused to use, or made very poor use of, the local capacities available to them. Demand will have to keep pace with supply—and I would welcome your views on how this can be achieved.

The African Capacity Building Foundation will start out small and take a very strategic approach. It is based on the premise that capacity building is a long-term effort. I think it can accomplish a great deal in terms of helping to build a key component to Africa's well-being and growth in the future—a critical mass of African professionals and institutions with expertise in policy analysis and development management. These capacities will, in turn, help lead to improved public administration and to *better governance*.

A Matter of Urgency

I think we can all agree that, in the end, good governance and economic development in Africa can only be achieved by Africans. Africans need to set the tone, the vision, the objectives and make the tough, but necessary, decisions. I would only add that doing these things has now become a matter of urgency.

I am increasingly concerned that if Africa cannot demonstrate good governance, and a measure of development progress, the window of external support for Africa will close, donors will shift their assistance to more promising regions—and Africa will be left further marginalized in the world. Africa cannot afford to let this happen. Nor can the international community. But what should the role of external actors be in promoting good governance?

I believe that external actors can help—not by imposing political conditionalities—but, as I have suggested, by helping to create an enabling environment for good governance through capacity building programs; and by insisting upon accountability, transparency and so on from their clients.

At the same time, external actors need to pay rigorous attention to *their own operations* to ensure that they also are fully accountable and transparent. Good governance is a two-way street. All of us have various roles to play and a joint responsibility to ensure development progress for Africa.

The Challenge of Poverty

Perspective on Poverty

As international assistance agencies working in Africa we share the same *grand objective*: the reduction of poverty and the improvement of people's living standards.

It is important to have a long-term and clear-sighted perspective on what former President Julius Nyerere has called the "enemy of development"—*poverty*. For one thing, we must not lose sight of the fact that, during the past three decades, the developing world has made enormous economic progress.

This can be seen most clearly in the rising trend for incomes and consumption: between 1965 and 1985 consumption per capita in the developing world went up by almost 70 percent. Broader measures of well-being confirm this picture—life expectancy, child mortality and educational attainment have all improved markedly. Viewed from either perspective—income and consumption on the one hand, broad social indicators on the other—the developing countries are advancing much faster than the "developed" countries did at a comparable stage.

Against that background of achievement, it is all the more staggering—and all the more shameful—that more than one billion people in the developing world continue to live in poverty today. In fact, the Bank's *World Development Report 1990* estimates that this is the number of people who are struggling to survive on less than $370 a year—or a dollar a day. Progress in raising average incomes, however welcome, must not distract attention from this massive and continuing problem.

Address to UN Agencies and Multilateral Banks, Washington, D.C., November 11, 1991.

The same is true of the broader measures of well-being. Life expectancy in Sub-Saharan Africa is just 50 years; in Japan it is almost 80. Mortality among children under 5 in South Asia exceeds 170 deaths per thousand; in Sweden it is fewer than 10. More than 110 million children in the developing world lack access even to primary education; in the industrial countries anything less than universal enrollment would rightly be regarded as unacceptable. The starkness of these contrasts attests to the continuing toll of human deprivation.

The World Bank and Poverty

The Bank is determined to reduce that toll and, as you know, there is a long history behind the Bank's commitment to poverty reduction. During the 1970s, poverty reduction shared the stage with growth at the center of the Bank's work. Rural development, redistribution with growth, basic human needs—these were the points of departure for the Bank's approach to poverty reduction in those years.

During the first half of the 1980s, poverty remained a concern—let there be no mistake about that—but it was sometimes eclipsed in the shadow of the urgent attention given to macroeconomic problems and the deepening debt crisis. In the second half of the 1980s, the Bank reaffirmed its central concern with poverty. It stressed poverty as the overarching theme for all the Bank's work and programs of special emphasis (Women In Development, environment, food security, private sector, etc.). This reaffirmation culminated in the launching of the 1990 *World Development Report (WDR)* on Poverty.

The Bank has thus, in a sense, come full circle—back to its roots in poverty reduction, with the WDR providing the intellectual vision. That vision differs from the vision of the 1970s—largely reflecting the lessons learned during the 1980s. Indeed, the crises of those years focused the Bank's attention on *country policies*, and in particular, on the *broad macroeconomic policy framework*.

The Bank learned from that experience that *policies are decisive* for the level of economic activity and employment, and for efficient growth. *Policies* are also critical for successful investment projects,

which despite the rapid expansion of adjustment lending during the decade, have remained the core of the Bank lending. And *policies* are essential for poverty reduction too—as the 1990 WDR made evident.

The Strategy

The 1990 WDR suggested a two-pronged strategy for the war on poverty. The *first* element is the pursuit of broadly-based economic growth that will generate income-earning opportunities for the poor, and thereby make use of their most abundant asset—their labor. The *second* is to ensure, by improving access to education, health care, and other social services, that the poor have the human capital to take full advantage of these opportunities. In addition, the strategy endorses the use of social "safety nets" for the most vulnerable segments of society, who cannot take advantage of income-earning opportunities or who may be hurt during the policy adjustment phase.

Clearly, any programs aimed at reducing poverty must be based on an analysis of *country* policies, expenditures, and institutions. The Bank's country assistance strategies, accordingly, support and integrate *country* efforts to reduce poverty. Country policies for poverty reduction are also one of the criteria for determining the size and composition of Bank lending programs—as in the case for IDA allocations, for example.

Let me make one point clear: the Bank does not claim to have found some kind of "miracle cure" for poverty. No one has all the answers on poverty and a "cookie cutter" approach to either analysis or operations simply cannot work. Clearly, we need to use as broad and as flexible a continuum of approaches and instruments as possible—and we need to look at *specific* responses to *specific* problems.

What the 1990 WDR did, in my view, is three things: (a) it provided the next important incremental step in the evolution of the Bank's thinking on poverty; (b) it offered new strategies and policy instruments for attacking poverty; and (c) it reiterated the priority of poverty reduction in the overall scheme of things. I might note in this context that the Bank's lending for poverty reduction and human

resource development (in dollar terms) rose by 48 percent in FY91, following a 36 percent increase in FY90. The share of Bank lending for poverty reduction and human resource development almost doubled between FY89 and FY91—from 14 percent to 26 percent. So, to a great extent, we are putting our money where our mouth is—and we're putting it where it counts: in helping people to climb out of poverty.

The Vision

I was around the World Bank when Robert McNamara was President. As you know, he articulated the vision for reducing poverty for the Bank—and even for the world. I personally will never forget his definition of absolute poverty: "a condition of life so limited as to prevent realization of the potential of the genes with which one is born". And I will never forget his belief that, with the right kind of political will and effective programs, poverty can be eradicated.

Who knows, maybe we are now finally at a juncture in history where McNamara's vision can become a reality. A cut of just 10 percent in military spending by the NATO countries would pay for a doubling of aid. With current changes underway in the world, maybe these kinds of resources can be released and a real "poverty dividend" paid out to the poorest of the poor.

It is the job of the World Bank—and all parties in the international development community—to ensure that such resources are used as effectively as possible in order to reduce as much poverty as possible. No task commands a higher priority. You and I—and all of us in the development business—share the responsibility for working together to achieve it.

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